

1 **Volume 1, Section 4 – Customer Rates and Regulations**

2  
3 **Q. In its response to CA-313 relating to NP’s 2003 GRA, NP indicates that it has no**  
4 **formal strategy to offer its customers rate options, and states that it is awaiting**  
5 **completion of Hydro’s marginal cost study as directed by the Board in Order No. 7**  
6 **(2002-2003).**

7  
8 **a. Now that Hydro’s marginal cost study has been completed, what is NP’s strategy**  
9 **for offering its customer rate options?**

10  
11 **b. In NP’s view, what is the best approach or plan, including schedule, for**  
12 **implementing customer rate options?**

13  
14 A. (a) The first step in developing rate alternatives is to determine what rate alternatives are  
15 appropriate for the system given the results of the marginal cost study.

16  
17 The Company also believes a number of policy issues should be addressed before  
18 alternative rates can be implemented. For example, an increased emphasis on energy  
19 efficiency in rate design must be balanced with customer considerations. In  
20 achieving this balance, some of the issues include: (i) fairness to customers in  
21 embedded cost recovery; (ii) the extent of customer impacts of rate alternatives; (iii)  
22 the acceptability and understandability of proposed rate structures to customers; and  
23 (iv) whether implementation of alternative rates should be mandatory or optional.

24  
25 (b) Newfoundland Power believes participation of all interested stakeholders is desirable  
26 when considering material changes to customer rate structures. The Company is not  
27 proposing a specific schedule to deal with customer rate alternatives at this time.

28  
29 Please refer to the response to CA-NP-23.