1 **Volume 2, Tab 11 – 2006 Load Research Study**
2
3 **Q.**   **In NP's opinion, does the load research study show substantially different load**
4   **characteristics between the General Service customer classes, thus justifying the**
5   **continued existence of each class?**
6
7 A.   In Newfoundland Power's view, decisions on the number and composition of rate classes
8   would not be based solely on the results of a load research study.
9
10   Newfoundland Power designs its rates based on a number of criteria, including fair
11   recovery of customer costs, energy costs and demand costs for the class as a whole. The
12   rate classes include as many customers who deviate from the class average as it is
13   practical to include. Having a class with homogenous load characteristics facilitates this
14   inclusiveness to some extent; but the objective can also be furthered through rate design
15   techniques, such as multi-part rate structures and blocking.
16
17   The *2006 Load Research Study*, *Volume 2, Tab 11*, was conducted to determine the
18   allocation of demand costs among Newfoundland Power's rate classes for use in the
19   embedded cost of service study. The load research study results indicate demand cost
20   differences among rate classes based on the class load factor differences on both a
21   coincident peak basis and a non-coincident peak basis. The study was not designed
22   specifically to measure whether the homogeneity of the rate classes has improved.
23
24   Load characteristics are not the only consideration in determining rate class composition.
25   Customer costs can also be materially different depending on other customer attributes.
26
27   For example, General Service customer costs can differ significantly depending on
28   whether serving a customer requires, among other things, single phase or three phase
29   service; an energy meter, a demand meter or a load recorder; a pole mounted or
30   padmount transformer; or an overhead or underground service.
31
32   Rate classifications attempt to reflect the different cost characteristics of each group of
33   customers. Reducing the number of rate classes increases the likelihood that customers
34   with significantly different cost characteristics are included in the same class. In general,
35   the fewer the number of rate classes the greater the likelihood of cross-subsidization
36   within the classes.
37
38   Newfoundland Power believes its approach to dividing its customer base among
39   customer classes based on demand requirements (i.e., small, medium, large and very
40   large) is reasonable and consistent with generally accepted, sound public utility practice
41   in Canada.