

1 **Volume 2, Tab 12 – Marginal Cost Study**

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3 **Q. (page 37, Schedule 27) Has NP utilized the ratios of current revenue to marginal**
4 **cost revenues for any purpose in this application?**

5
6 A. No. While Newfoundland Power is proposing to modify its rate components to better
7 reflect marginal costs, the Company has not utilized the comparison of revenues at
8 current rates and marginal cost revenues contained in Schedule 27 of the *Marginal Cost*
9 *Study* for any purpose in the Application.

10
11 Schedule 27 indicates that marginal costs on the system exceed the average costs
12 recovered in current customer rates.

13
14 As explained in Customer Rates & Regulations Evidence, Volume 1, *4.3 Cost of Service*
15 *Standard*, Newfoundland Power has used the results of the embedded cost of service
16 study to assess fairness of cost recovery by customer class. Marginal costs are reflected
17 in rate designs to promote efficient use of electrical energy.