

1 **Volume 2, Tab 13 – Rate Design Review**

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3 **Q. (page 5, Table 3 and Footnote 7) It is stated that “the Company agreed to cap the**
4 **recovery through basic customer charge at 50% of the embedded distribution costs**
5 **beyond the service drop for Rate 1.1 with the remainder to be recovered through**
6 **energy charges”. Please provide the source for the embedded distribution cost upon**
7 **which the “Maximum Basic Customer Charge” of \$16.95 (Table 3) is determined.**

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9 A. The data used to determine the “Maximum Basic Customer Charge” of \$16.95 (Table 3)
10 was taken from the 2005 Pro Forma Cost of Service Study. The calculation is provided
11 in Attachment A to this response.

Determination of Maximum Basic Customer Charge

Newfoundland Power Inc.
Determination of Maximum Basic Customer Charge for the 2008 GRA¹
Data taken from 2005 Proforma Cost of Service Study
Domestic Rate
(\$ 000)

Total annual customer specific costs (Includes Customer Accounting, Customer Service, Meters and Services)

Total before loader related to municipal taxes, rural subsidy and other revenue related items

Customer Accounting and Customer Service (Schedule 1.2 Column N)	18,995
Meters (Schedule 1.2, Column L)	1,658
Services (Schedule 1.2, Column K)	7,032

Total allocated to Domestic	27,685
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% Loader for Municipal Taxes, Rural Deficit, and other revenue related items. (See Schedule 1.6, Column G)	10.15%
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Total customer specific cost for comparison to Basic Customer Charge	30,495
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Monthly Unit Costs per Domestic Customer	(195,162 Domestic customers in 2005)	13.02 \$ / customer per month
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Total annual distribution network costs beyond service drop allocated to customer:

Secondary (Schedule 1.2, Column J)	2,817
Transformers (Schedule 1.2, Column H)	2,668
Primary (Schedule 1.2, Column F)	11,229

Total allocated to Domestic	16,714
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% Loader for Municipal Taxes, Rural Deficit, and other revenue related items. (See Schedule 1.6, Column G)	10.15%
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Total customer related distribution network cost for comparison to Basic Customer Charge	18,410
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Monthly Unit Costs per Domestic Customer	(195,162 Domestic customers in 2005)	7.86 \$ / customer per month
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Maximum Basic Customer Charge

Monthly Unit Costs for Customer-Related Costs (excluding Distribution beyond service drop)	13.02 \$ / customer per month
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50% of Monthly Unit Costs for Customer Related Costs beyond service drop	3.93 \$ / customer per month
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Maximum Basic Customer Charge	16.95 \$ / customer per month
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NOTES:

- 1 - Based on an agreement reached between the parties at Newfoundland Power's 2003 GRA and incorporated in the Board's decision in Order No. P.U. 19(2003). The agreement requires NP, in its next GRA, to cap the customer charge recovery of distribution network costs beyond the service drop allocated to customers at 50% of these allocated distribution costs for the domestic service and small general service rate 2.1, with the remainder to be recovered through energy charges.