

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

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3 **Q. Should there be further reductions in the demand charges for Rates 2.2, 2.3 and 2.4**  
4 **to enable increasing the tail block energy charges to better reflect marginal energy**  
5 **costs?**

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7 A. The rate proposals in the Application make significant progress in reflecting marginal  
8 costs in the tail block rates for Rates 2.2, 2.3 and 2.4. Details regarding the impact of  
9 marginal cost considerations on the rate proposals in the Application are provided in the  
10 response to CA-NP 254.

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12 In the current rate proposals, Newfoundland Power attempted to achieve a reasonable  
13 balance between the various criteria for sound rate design, given current information on  
14 embedded costs, marginal costs and the impact the changes in rate design will have on  
15 customers.

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17 The impact on individual customer bills within each class influenced the tail block  
18 increases proposed in this Application. Details on customer impacts for each class are  
19 provided in the response to CA-NP 197.

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21 In the future, further reductions in demand charges may be warranted to enable increasing  
22 the tail block charges to better reflect marginal energy costs. Assessment of changes that  
23 may later be warranted will depend on balancing the criteria for sound rate structures  
24 based on relevant considerations at that time.