

- 1 **Q. (response to CA-NP 244) "Reducing the number of rate classes increases the**
2 **likelihood that customers with significantly different cost characteristics are**
3 **included in the same class. In general, the fewer the number of rate classes the**
4 **greater the likelihood of cross-subsidization within the classes." Did NP consider**
5 **increasing the number of rate classes?**
6
- 7 A. Newfoundland Power's general service rate classifications have evolved over time as
8 system costs and customer usage patterns have changed. The most recent change to the
9 number of rate classes occurred in 1987 with the creation of the General Service 1000
10 kVA and Over classification to ensure that larger general service customers paid a rate
11 that better reflected the cost to serve them.
12
- 13 Newfoundland Power has not conducted any recent analysis focusing on whether the
14 number of rate classifications should be changed. A study would need to be undertaken
15 giving consideration to the rate design objectives, including customer considerations, to
16 fully assess the pros and cons of changing the number of general service rate classes.