

1 **Q.** In your pre-filed evidence, Section 7. Island Industrial Customer Rates, you state
2 "The fact is, there are alternative rate designs available that better meet rate design
3 objectives than the rate design proposed by Hydro in the Amended 2013 GRA."
4 (page 17, lines 22-23) Also you state "The absence of a marginal price signal in the
5 Island Industrial Customer rates represents a lost opportunity that has been missed
6 since the 2008 study referenced earlier was completed." (page 18, lines 18-20)
7 However, you conclude with a recommendation that the Board accepts Hydro's
8 proposed Island Industrial Customer rate design. Do you agree that energy rates to
9 Industrial Customers based on a two block structure with the second block
10 reflecting marginal cost would convey a more appropriate price signal? Please
11 provide a detailed explanation of your response.

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13 **A.** Mr. Doug Bowman agrees that an energy rate with a two-block structure with the
14 second block reflecting marginal cost would convey a more appropriate price signal for
15 Island Industrial Customers, and he continues to support implementation of such a rate
16 design. However, the issue that is of utmost importance to consumers in this application
17 is that Island Industrial Customer rates be brought up to levels reflecting the full cost of
18 supply. This is important for fairness reasons, but also as a first level of efficiency.
19 Newfoundland Power's customers have been forced to pay a significant cross-subsidy to
20 Island Industrial Customers which has been going on for years now, and continues to this
21 day. As a first priority, Mr. Doug Bowman would like to see this cross-subsidization
22 issue finally come to a close. As a second priority, he would like to see an Island
23 Industrial Customer energy rate with a two-block structure with the second block
24 reflecting marginal cost.