

1    **Q. In your pre-filed evidence, Section 8. Newfoundland Power (NP) Rate, you**  
2    **recognized Hydro's much better job of reflecting marginal cost in setting the**  
3    **capacity charge for NP in the Amended 2013 GRA. Would you agree that a better**  
4    **wholesale rate design for Newfoundland Power would have an energy tail block rate**  
5    **set at marginal cost? Please provide a detailed explanation of your response.**

6  
7    **A. As shown on the table summarizing marginal costs on page 20 of Mr. Doug**  
8    **Bowman's Pre-filed Evidence, marginal costs over the 2015 to 2017 period are forecast**  
9    **to average \$4.47/kW/month for capacity and 12.6 cents/kWh for energy. Mr. Doug**  
10   **Bowman agrees that a better rate design for Newfoundland Power would set the demand**  
11   **and tail-block rates at these levels, with the first block adjusted accordingly to recover the**  
12   **remainder of the revenue requirement. However, forecasts of marginal costs change – for**  
13   **example, the marginal cost of energy is likely to change with the next fuel price forecast.**  
14   **Therefore, Mr. Doug Bowman would support an NP rate design with a \$4.47/kW/month**  
15   **demand charge and a 12.6 cents/kWh tail block energy charge, but neither is he opposed**  
16   **to the NP rate design proposed by Hydro.**