

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.