

1 **Q. Both Messrs. D. Bowman (page 3, lines 21-24) and P. Bowman (page 4, lines 33-34)**
2 **recommend eliminating the load variation component of the Rate Stabilization Plan.**
3 **Does Mr. Brockman agree with this recommendation? If yes, explain why in detail.**
4 **If no, explain in detail why not.**
5

6 A. Mr. Brockman's position on whether or not to eliminate the load variation component
7 depends on the rate set for the marginal energy consumption.¹
8

9 If all of Hydro's tail block energy rates are set equal to the marginal cost of production,
10 there would be no financial impact on Hydro due to an increase or decrease in the load
11 relative to the test year forecast. The load variation component in the Rate Stabilization
12 Plan could therefore be eliminated.
13

14 To the extent that Hydro's tail block energy rates vary from the marginal cost of
15 production, increases or decreases in load from test year forecast will have a financial
16 impact on Hydro. It would be for the Board to decide whether the financial impact on
17 Hydro of load variation justifies maintaining a load variation component in the Rate
18 Stabilization Plan.

¹ The rate for marginal energy consumption refers to the price customers pay for the last unit of energy purchased by the customer. For example, Hydro's proposed 2013 test year rate for tail block energy for Newfoundland Power is 104.00 mills/kWh compared to Hydro's 2013 test year marginal cost of energy of 177.68 mills/kWh.