

1 Q. **Reference: Exhibit 17, page 14**

2 Hydro states “Table 4 presents similar results for an intermediate level of demand price, set at
3 \$5.50 per kW. (This level is chosen to approximate the expected demand price level of the
4 Utility rate. Thus, this scenario is one in which prices and the rate structure are designed to
5 parallel those of the Utility rate: a block design with seasonal marginal cost-based tail block
6 pricing and a similar demand price.)” Is this important given that Newfoundland Power demand
7 reflects the demand of its retail customers over which Newfoundland Power has limited control,
8 while industrial customers have control over the demands they place on the power system?

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11 A. *This response was provided by Christensen Associates Energy Consulting.*

12 The match between demand charges is not very important. Newfoundland and Labrador Hydro
13 and its customers may enjoy small tangible benefits from seeing that other customers are
14 served under a fairly similar rate design (block pricing), similar marginal cost-based pricing of
15 incremental load, and a similar charge for peak demand.