

Q. In reference to Exhibit LBB-3, page 16 of 29 - “Newfoundland Power is recovering 100 per cent of the customer related costs associated with metering, billing, service drop and customer information for the domestic and small general service classes (see following Table 5). The BCC for the remaining classes do not collect all the metering, billing, service drop and customer information costs. For the residential and small general service class, approximately 60 per cent of the cost associated with the minimum distribution system is collected.” - Given that the BCC is a larger proportion of the smaller customers’ bills, why is Newfoundland Power proposing to collect 60% of the cost associated with the minimum distribution system from the smaller customers, and none of these costs from the larger customers?

A. As shown in Table 1 below, the customer-related minimum distribution system costs are a small portion of the total customer costs for customers on Rate 2.3 and Rate 2.4 (6.9% and 2.9% respectively). Therefore, even if there is zero recovery of the distribution system customer costs, the overall recovery of customer-related cost can still exceed 93% for these classes.

Table 1 Minimum Distribution System as a Percentage of Total Customer Costs			
Class	Customer Costs		% of Total
	Distribution System	Total	
Domestic General Service	\$7.41	\$19.29	38.4%
Rate 2.1	7.41	21.72	34.1%
Rate 2.2	7.41	38.08	19.5%
Rate 2.3	7.20	104.36	6.9%
Rate 2.4	5.49	189.15	2.9%

Table 2 below shows the percentage of the total customer cost by class recovered from the Basic Customer Charge based on the data shown in Table 5 of Exhibit LBB-3. As can be seen from the information in Table 2, the overall recovery levels for total customer costs are similar for all classes with the exception of Rate 2.2.

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Table 2 Percentage Recovery of Customer Costs			
Class	Customer Cost (\$/Customer per month)	Customer Charge	% Recovery
Domestic General Service	\$19.29	\$16.42	85%
Rate 2.1	21.72	18.69	86%
Rate 2.2	38.08	20.35	53%
Rate 2.3	104.36	91.61	88%
Rate 2.4	189.15	183.23	97%

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Conclusions 9 and 10 on page 10 of Mr. Brockman's pre-filed evidence supports no change in the recovery levels for the BCC at this time. Also, improvement in the customer cost recovery level for Rate 2.2 is not being proposed due to concerns with the stability of charges to customers as customers move from Rate 2.1 to 2.2.