

1 **Q. In reference to Exhibit LBB-3, page 16 of 29, is it more appropriate for**
2 **Newfoundland Power to set the BCC to recover only the metering, billing, service**
3 **drop and customer information for each customer class in order to maintain**
4 **consistent treatment of all customers?**
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6 A. No, this approach would not be appropriate. As discussed in CA-308, the overall level of
7 recovery of customer related costs is comparable for the Basic Customer Charge for all
8 rates except Rate 2.2. As stated in Mr. Brockman's testimony on page 10, lines 9 to 12,
9 "While the Cost of Service study may support an increase in the BCC for some of the
10 General Service classes, other rate making considerations such as pricing the tail blocks
11 at or near marginal costs make increasing the BCC in these classes impractical at this
12 time".
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14 Modifying rates to respond to minor mismatches of rates and estimates of cost is
15 generally not an effective pricing practice. For example, the demand charges in Rates
16 2.2, 2.3 and 2.4 are significantly less than the embedded demand costs. However, the
17 Company is not proposing to modify the demand charges to reflect the embedded
18 demand costs due to the importance of having the energy rates better reflect marginal
19 costs. It is more effective to review customer rates from an overall design and recovery
20 perspective.