

1 **Q. In reference to the Direct Testimony (page 15, lines 11 to 13) of M.J. Erbland in**
2 **Newfoundland Power's 1995 rate application which states that Newfoundland**
3 **Power's customers have come to expect an increasingly sophisticated array of**
4 **options, provide Newfoundland Power's strategy for increasing the number of rate**
5 **options it makes available to its customers.**

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7 A. Newfoundland Power has no formal strategy for increasing the number of rate options it
8 makes available to its customers.

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10 The Company does not feel it is appropriate to introduce rate options unless marginal
11 costs are available to fully assess the potential impact of introducing these rate options.
12 The Company does not have reasonable marginal cost estimates for its purchased power
13 costs from Newfoundland Hydro. In Order No. 7 (2002-2003) the Board stated at page
14 151:

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16 "The Board believes that, in light of the many other matters which it has
17 requested Hydro to address and also the fact that the Electricity Policy Review is
18 ongoing, it would not be timely to commence any study of marginal costs
19 considerations at this time. The Board will continue to monitor this situation with
20 a view to determining an opportune time to act on this initiative."

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22 When a study into Hydro's marginal costs is completed, the need for, and potential
23 development of a strategy, for increasing the number of rate options will be reviewed.