

1 **Q. What are Newfoundland Power’s costs of supplying electricity to a typical home for:**
2 **1) hot water, and 2) home heating?**

3
4 A. Newfoundland Power’s costs of supplying electricity to a typical home can be described
5 in two ways. It can be described as the average cost to supply the electricity or it can be
6 described in terms of the marginal cost of supply.

7
8 *Average Cost of Supply*

9 The average cost of supply includes the cost of all the electric system components that
10 are used to supply the customer. Newfoundland Power rates are based on the average
11 cost of supplying the customer, therefore, the costs under existing and proposed rates
12 provide a reasonable estimation of the average cost of supplying the customer. The
13 average cost to supply home heating and hot water under existing and proposed rates are
14 provided in CA-NP-003 and CA-NP-004, respectively.

15
16 *Marginal Cost*

17 The marginal cost of supply is the impact on costs that will occur if a customer switched
18 between electricity to other sources of energy. The marginal cost of supplying electricity
19 to consumers for space and water heating is currently uncertain. This uncertainty is
20 described in the *Volume 1, Application, Company Evidence and Exhibits, Section 5.3.2*
21 *Marginal Cost Outlook, Page 5-6 to 5-7.*