

1 **Section 5: Customer Rates**

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3 **Q. (Section 5, page 5-7) Why is Newfoundland Power not proposing a revenue to cost**
4 **ratio of 100% for Street and Area Lighting?**

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6 A. The revenue-to-cost ratio associated with Newfoundland Power's Street and Area
7 Lighting Service is 97.2%.¹ Maintaining revenue-to-cost ratios for each class within a
8 range of 90% to 110% has been an accepted approach to achieving fairness in rate design
9 by avoiding undue cross-subsidization among the various rate classes. This is consistent
10 with the views of the Board as expressed in Order No. P.U. 7 (1996-1997), which states:
11 *"The Board agrees with the philosophy that it is not necessary to achieve a 100%*
12 *revenue to cost ratio for all classes and takes no exception to a variance of up to 10%."*
13 The revenue-to-cost ratios of all Newfoundland Power's customer rate classes are within
14 the 90% to 110% range accepted by the Board.²

¹ See the 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 5.3.1 Embedded Cost of Service Study, page 5-7, Table 5-5.

² Ibid.