

1 **Q. C. Douglas Bowman Report, page 6, lines 3-6, Recommendation #6. Mr. Bowman**
2 **recommends that Street and Area Lighting customers pay 100% of the cost of supply**
3 **rather than the proposed 97.2%, which is a lower cost recovery for these customers**
4 **than in the last two general rate applications. Is Mr. Bowman’ recommendation**
5 **based on a concern on the declining cost recovery ratio for this customer class or**
6 **based on use of a range for cost recovery of 90%-110% for assessing the**
7 **reasonableness of a rate?**

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9 **A.** As stated in Mr. Bowman’s Pre-filed Evidence (page 29) Mr. Bowman recommends that
10 the Board order Newfoundland Power to *“Bring rates for the Street and Area Lighting*
11 *customer class up to levels that collect the full cost of supply identified in the cost of*
12 *service study. Make adjustments to the rates of other customer classes to ensure the*
13 *approved revenue requirement is collected (see CA-NP-256 for an example).”*

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15 The reason for making this recommendation is provided on page 28 of Mr. Bowman’s
16 Pre-filed Evidence, where it is stated *“It is not clear why this customer class is not paying*
17 *the full cost of supply given the significant savings the class is receiving as a result of the*
18 *LED Street Lighting Replacement Plan (CA-NP-261c). When asked about this in CA-NP-*
19 *106, Newfoundland Power states that it is “acceptable” to have revenue to cost ratios*
20 *between 90% and 110%. While it may be “acceptable”, it is not a requirement, and does*
21 *not preclude making it “more acceptable”.*” His evidence goes on to say *“It seems that*
22 *setting rates for this class to recover the full cost of supply will not have an adverse impact*
23 *on the customers in this rate class. CA-NP-256a indicates that raising rates for this*
24 *customer class to levels collecting the full cost of supply would result in a rate increase*
25 *of 2.8%. CA-NP-256b indicates that if this additional revenue were applied to General*
26 *Service Rate 2.1 customers, their rate increase would be reduced by about 0.4%, and the*
27 *revenue to cost ratio would be reduced from 107.9% to 107.4%.”*

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29 In summary, Mr. Bowman is not concerned about use of a range of 90% to 110% to assess
30 cost recovery. Neither is he concerned about altering cost recovery within this range. By
31 increasing the rates of Street and Area Lighting customers to 100% of the cost of supply
32 the fairness of the rate regime is improved without imposing adverse impacts on the Street
33 and Area Lighting customer class.