

1 **Q. C. Douglas Bowman Report, page 8, lines 11-20, Recommendations #7 and #8. Mr.**  
2 **Bowman’s Recommendation #1 is that a re-designed wholesale rate be submitted by**  
3 **August, 2024 and implemented on January 1, 2025. Recommendation #7 is that**  
4 **Newfoundland Power revised rate structures to reflect the revised wholesale rate be**  
5 **implemented on January 1, 2025 (with those dates most likely to be after the**  
6 **conclusion of the public hearing phase of the current General Rate Application).**  
7 **Please explain how Mr. Bowman concluded that such a schedule is reasonable and**  
8 **achievable and explain the steps and timelines that would be necessary to achieve**  
9 **the recommended implementation date for both a revised wholesale rate and revised**  
10 **Newfoundland Power rate structures.**

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12 **A.** Mr. Bowman’s recommendation #7 is that the Board order Newfoundland Power to  
13 *“Cooperate with the Consumer Advocate and NL Hydro on the design of retail rates with*  
14 *tail-block energy charges that are more reflective of the marginal cost of energy. The*  
15 *revised rate structures should be included as part of the Board’s Order on this GRA for*  
16 *implementation on January 1, 2025.”* Mr. Bowman’s recommendation is not to revise  
17 retail rate structures to reflect the revised wholesale rate as stated in the question because  
18 he does not know how, if or when, the wholesale rate will be revised.

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20 Mr. Bowman provides his response to this question in PUB-CA-017(ii). Mr. Bowman  
21 points out that Newfoundland Power filed the GRA on December 12, 2023. In the GRA,  
22 Newfoundland Power is proposing an increase in revenues and a rate increase of 5.5%  
23 effective July 1, 2025 to recover the proposed revenue increase. When considering  
24 various rate designs for recovery of the proposed revenue requirement, Newfoundland  
25 Power decided to continue with the current retail rate designs with each component of  
26 each retail rate increased by the same proposed 5.5% (to the extent possible). Mr.  
27 Bowman believes that a better way to recover the revenue requirement is to continue with  
28 current rate designs, but alter tail-block energy charges to reflect marginal costs (as stated  
29 in his Pre-filed Evidence). The exception is the Domestic customer class which currently  
30 has a single block energy charge that according to Newfoundland Power is 2.49 times the  
31 marginal cost of energy (see Table 1 of Mr. Bowman’s Pre-filed Evidence).

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33 Newfoundland Power provides a convincing argument in support of continuing with the  
34 current wholesale rate design but with a change in its tail-block rate and doing so by  
35 January 1, 2025 (see PUB-NP-004a). Mr. Bowman agrees with Newfoundland Power’s  
36 argument and submits that the argument applies equally to Newfoundland Power’s retail  
37 rates (see Section 5.1 of Mr. Bowman’s Pre-filed Evidence). CA Energy Consulting states  
38 (page vii)<sup>1</sup> *“We recommend that NP leave its current rate designs in place, adjusting the*  
39 *customer, energy, and demand charges to ensure full cost recovery under Hydro’s new*

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<sup>1</sup> See CA Energy Consulting April 1, 2024 report entitled Rate Design Review: Phase 1.

1        *price levels and to better reflect Hydro's marginal costs.*" Mr. Bowman's  
2        recommendation is consistent with that of CA Energy Consulting.

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4        Newfoundland Power is proposing changes to retail rates in this Application, so the Board  
5        must rule on the acceptability of the proposed changes in its order on this GRA. For this  
6        reason, Mr. Bowman recommends that the parties develop retail rates in a timeframe that  
7        enables the Board to include it in its order on this GRA. Mr. Bowman notes that the  
8        Board's schedule for the GRA includes a negotiation period from May 21 to 24, and a  
9        public hearing beginning June 13, 2024. In Mr. Bowman's opinion, this provides plenty  
10       of time for the parties to develop retail rates that reflect marginal costs in tail-block energy  
11       charges while recovering the approved revenue requirement in time for a Board order on  
12       the GRA. It only needs the Board to direct the parties to do so. See Mr. Bowman's  
13       response to PUB-CA-024 for an explanation of how the Board might motivate  
14       Newfoundland Power and the parties to meet this deadline.