

1 Q. On page 5, lines 19 to 22 of Mr. Wells' Pre-filed Evidence, he notes that
2 there is an overwhelming preference for electricity as the energy source of
3 choice for space heating in new construction. Why is this, and would it be the
4 case if NLH had been charging customers the full cost of power rather than
5 accumulating oil costs in the RSP?

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8 A. The preference for electric heat in new construction can be attributed to a
9 number of factors including its low initial capital cost and its maintenance-free
10 operating characteristic. Hydro would expect that a full price signal to
11 consumers in recent years to have had a marginal impact on the penetration
12 rate of electric heat in new construction. However, the past few years have
13 been a difficult period for the fuel oil industry and those using the fuel due to
14 high and volatile prices and environmental concerns regarding fuel storage.