

1 **Q. Given concerns related to earnings volatility deriving from a demand/energy**
2 **wholesale power rate, would NP be more agreeable to an energy-only rate that**
3 **varied by season to reflect Hydro's seasonal production cost variances,**
4 **incorporating principles documented in the June 1997 report authored by NP**
5 **entitled *A Study of Innovative Approaches to Rate Design Based on Marginal Costs***
6 ***and Time-of-Use Design Principles*?**

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8 **A.** Hydro's response to Request for Information NP-171 NLH indicates that the production
9 cost at Holyrood is basically the same for all months of the year. There is also no
10 evidence that indicates there are seasonal variations in Hydro's plant production costs.
11 Therefore, an energy-only rate that prices a kWh the same for all months of the year
12 accurately reflects that there are no seasonal variations in Hydro's production costs.