

NLH-200 PUB (Re: Page 6, lines 21-23)

The evidence states, “Under the Fixed Variable Method those costs that are fixed in nature are classified as demand-related. This includes depreciation, return on rate base and taxes. Variable costs are classified as energy. This includes fuel and O&M expenses”.

Does EES mean that under this methodology all O&M expenses are classified as being energy-related or only O&M expenses that are related to the production of energy, such as boiler maintenance?

Response:

This statement discusses production costs and refers to O&M expenses that are related to production.