

1 **Q. Further to the response to NLH-53 NP, is it reasonable to assume that energy**
2 **purchased from a generator and sold by a distribution company to customers would**
3 **be considered, in a generic sense, to be purchased power costs to the distributor,**
4 **even if this transaction is handled by some form of rate stabilization mechanism?**
5

6 A. In a generic sense, the cost of energy purchased from a generator, that is determined
7 based on the rates to be paid by a distributor (or retailer) and rules as set by the regulator,
8 represents purchased power cost to the distributor (or retailer).
9

10 A rate stabilization mechanism may be established by a regulator to provide rate stability
11 to customers and to provide a mechanism to minimize volatility in the utility's
12 (generator, distributor or retailer) revenue requirements due to events beyond its control.