

1 Q. Further to NP-129 NLH: The sample wholesale rate price for energy during
2 non-winter months is significantly below the short-run marginal cost (3.44¢
3 per kWh vs. 5.13¢ per kWh) and slightly below the average energy cost of
4 3.55¢ per kWh. Does Hydro conclude that the proposed non-winter energy
5 charge of 3.44¢ per kWh is not an efficient pricing signal?
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8 A. The second energy block in the sample demand-energy rate is not based on
9 the \$0.0513/kWh figure, which includes variable O&M at Holyrood. To the
10 extent that the somewhat significant difference between the first and second
11 energy blocks are reasonably reflective of cost causation on Hydro's system,
12 and as discussed in the response to NP-129 NLH, the winter price signal in
13 the sample energy rate is seen as providing a stronger and more relevant
14 signal in terms of conserving oil and having the potential to reduce system
15 peak than the very slight reduction of energy price in non-winter months
16 would have to encourage additional consumption. Also, it should be noted
17 that while the RSP will tend to mute the price signal over time, the rate is
18 structured properly to provide an immediate and relevant price signal.
19 Therefore, Hydro does not conclude that the energy rate structure in the
20 illustrative demand-energy rate provides inefficient pricing signals.