

1 Q. Further to NP-136 NLH and IC-194 NLH: Hydro has discontinued a 46 MW
2 demand reduction that cost \$28.20 per kW because there is no current
3 benefit to the system. At the same time, Hydro is proposing to pay NP \$84
4 per kW through its wholesale rate to reduce demand at time of peak. Please
5 reconcile these proposals and how they fit with the system expansion plan.

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8 A. Hydro has not renewed the 46 MW Interruptible B contract for the reasons
9 outlined in response to NP-136 NLH.

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11 With regard to the wholesale pricing structure with NP, Hydro is proposing,
12 as shown in the sample rate in RDG-2, to charge NP \$7.00/kW/month for the
13 demand portion of NP's load. This is a fundamental change from the energy-
14 only rate form, which collected both demand and energy costs, and has been
15 in place for decades. Hydro believes that the demand energy rate structure
16 provides an efficient pricing signal since it serves the dual purpose of
17 collecting embedded demand costs while also providing a marginal pricing
18 signal and thus is in the long-term best interests of system expansion
19 planning. As an incentive for permanent reduction in NP's peak demand,
20 Hydro has put two percent of its revenue from the capacity charge to NP at
21 risk.