

1 Q. Further to NP-142 NLH: The energy-only rate is derived based on the total
2 of the demand, energy, customer and rural deficit costs from the cost of
3 service study filed in this proceeding. Therefore, explain the statement “..an
4 energy-only rate bears ***no relationship*** in either magnitude or proportion of
5 demand and energy to costs Hydro incurs in serving NP”.

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8 A. Although the energy-only rate recovers Hydro’s total cost of serving NP, the
9 way in which it does so is not related to the way in which Hydro’s costs are
10 incurred. The quoted portion of the question refers to the disproportionality
11 of the demand and energy components in the rate and the fact that the
12 energy price is not equal in magnitude to either Hydro’s demand or energy
13 per unit cost of providing service to NP.