

1 Q. Further to NP-145 NLH: Does Hydro agree it is equally important to give an
2 efficient pricing signal to all customers? If yes, why should the tail block be
3 set to give an efficient pricing signal to NP but not to the Industrial
4 customers?

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7 A. Hydro agrees it is important to give an efficient pricing signal, but believes it
8 is not necessarily appropriate to give the same type of pricing signal to all
9 classes of customers. For the reasons discussed in response to NP-145
10 NLH, there are pricing signals intrinsic in the rate to the Industrial Customers
11 that are appropriate to their usage profile but may be different than those that
12 are appropriate for NP. The tail block, or non-firm usage portion applicable
13 to Industrial Customers, is priced based on incremental fuel costs and is
14 therefore at least as efficient a pricing signal as that provided to NP in the
15 sample demand and energy rate.