Q. With regard to the R. D. Greneman evidence (page 14, lines 15 to 16), provide details of how Hydro incorporates marginal cost price signals in its rates for Industrial Customers. Reconcile this statement with the statement on page 17, lines 7 to 8 that “Stone & Webster Consultants does not believe that marginal costs are as appropriate for the Island Industrial Customers as for NP”.

A. As indicated in page 14, lines 18-21, the fuel rider, which is applicable to NP and the Industrial Customers, adjusts the rates for all energy by using the updated forecast cost of fuel. Although not in the form of an explicit price signal, the industrial customers have the sophistication to understand the overall effect of additional energy use. Non-firm energy for the industrial customers is based on the marginal cost of fuel. The statement on page 17, lines 7-8 was not to suggest that explicit marginal cost signals should not be incorporated in rates for the Industrial Customers, but rather, to recognize that these customers already actively plan their energy requirements to minimize their power on order. The extent to which explicit marginal energy and demand price signals to the Industrial Customers would enable additional conservation is uncertain in light of this.