

1 Q. With regard to the R. D. Greneman evidence (page 17, lines 7 to 19), are
2 there elements of the marginal cost study that can be incorporated in the
3 rates for Industrial Customers? For example, as recommended in the report
4 entitled *Implications of Marginal Cost Results for Class Revenue Allocation*
5 and *Rate Design*, can the demand charge be modified to reflect the fact that
6 the probability of loss of load, the driver of Hydro's capacity decisions, is
7 almost entirely during the four winter months? In addition, could the IC rates
8 be designed with a two-block energy charge similar to the wholesale rate for
9 NP with a tail-block energy charge based on the marginal production cost at
10 Holyrood? Could this be done using the IC revenue allocation derived in the
11 2007 Forecast Cost of Service included in Mr. Greneman's Cost of Service
12 evidence so that there is no further impact on rates beyond those being
13 proposed by Hydro in the 2006 GRA?

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16 A. While marginal rate design principles could be incorporated in the rates for
17 Industrial Customers, there are other rate design considerations that must be
18 reviewed, such as first block size. Please see response to CA 9 NLH, and
19 Page 13 of the July 2006 NERA Economic Consulting "*Implications of*
20 *Marginal Cost Results for Class Revenue Allocation and Rate Design*" report
21 for options which would require analysis and review prior to such
22 implementation.