

1 Q. The executive summary of the NERA Report: "Implications of Marginal Cost
2 Results for Class Revenue Allocation and Rate Design" provides a number
3 of recommendations. List each recommendation and present Hydro's action
4 plan with respect to each.

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7 A. Hydro believes that it is possible to negotiate with its customers the action to
8 be taken with respect to the recommendations of the NERA Report:
9 "Implications of Marginal Cost Results for Class Revenue Allocation and
10 Rate Design". The recommendations are:

- 11 • "NERA recommends that NLH consider adopting a rate structure for
12 both NP and Industrial customers that reflects the marginal cost
13 structure."
- 14 • "NERA also recommends that NLH explore new interruptible options
15 that would reward curtailable loads for operational savings provided
16 when curtailments are called, and reflect the fact that controlled loads
17 are valuable on an operational basis ... although they currently have
18 little value on a planning basis."
- 19 • "Finally, any proposal for rate structures should only be made after a
20 careful analysis of impacts such as utility revenue adequacy, customer
21 load changes, implementation and administrative costs, and bill
22 impacts."