

1 Q. Please discuss whether it is more important for Hydro to have a rate
2 structure that provides meaningful price signals as to the conservation of
3 capacity or a rate structure that provides meaningful price signals as to the
4 conservation of energy.

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7 A. It is important to have a rate structure that provides meaningful price signals
8 as to the conservation of both capacity and energy. By virtue of having a
9 demand component in combination with an inverted energy rate, Hydro's
10 wholesale rate is structured to enable reconciling to an accounting-based
11 revenue requirement without the need to have a trade-off between marginal
12 demand and energy price signals.