

1 Q. Please explain whether (and why) customers may be entitled to marginal
2 energy rates substantially below the marginal cost of energy by virtue of their
3 high load factor.

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6 A. Stone & Webster has not suggested that customers are entitled to marginal
7 energy rates substantially below the marginal cost of energy by virtue of their
8 load factor. With respect to capacity costs, there is an inverse relationship
9 between load factor and average unit cost expressed in terms of \$/kWh.

10 Energy rates associated with the cost of fuel oil can be in the form of either a

11 flat or inverted rate. What is relevant is whether customers are assessed the

12 cost of marginal energy use in relation to that use and that they are aware of

13 the implications of using additional energy. See also the responses to PUB

14 14 NLH and PUB 15 NLH.