

Q. Rate Volatility

(a) With reference to Table 8 (page 17, pre-filed evidence of Larry Brockman), please explain the reason for using 4.68 cents/kWh instead of the firm energy rate of 3.676 cents/kWh in calculating Vale Inco Estimated Revenue.

A. (a) The estimated revenue for Vale Inco was based upon the average cost of 4.68¢ per kWh taken from the response to Request for Information CA-NLH-21. This reflects that revenue from Vale Inco will include revenue from demand charges, energy charges and, likely, some specifically assigned charges. Using the firm energy charge to estimate the revenue from Vale Inco would effectively assume that all Vale Inco revenue would be from energy charges only. This is not a reasonable assumption.