

1 Q. **2013 General Rate Application, Cost of Service**

2 In the design of rates for NP, the proposed rate structure is a cost-based demand
3 rate as well as a two-block energy structure, with the second block based on the
4 Holyrood test year fuel cost. Was pricing for the first energy block ever considered
5 to be fuel-based? Explain your answer.

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8 A. The first block was never considered to be fuel based for the following reasons: 1)
9 Hydro's non-fuel costs need be recovered regardless of variations in consumption;
10 and 2) a fuel-based second block provides an appropriate price signal.