

1 Q. In your Expert's report in Section 4: Industrial Customer Second Block Energy Rate,  
2 page 16, you recognized that a second block energy rate set at marginal cost of  
3 energy sends a price signal to customers to conserve electric energy. However, due  
4 to Vale's load ramping up, you agree with Hydro that a second block not be  
5 implemented for industrial customers. Why would it be improper to provide a  
6 marginal cost energy price signal to Vale during the ramping up period?

7 A. In my evidence, I was addressing a typical industrial start-up and not specifically Vale.  
8 In my industrial experience, I have seen start-ups of portions of plants and the left-  
9 over work after a complete plant start-up. As I said in my evidence (June 4, 2014,  
10 section 4, Industrial Customer Second Block Rate), "*During a typical plant start-up,*  
11 *the total focus is on construction, commissioning, operator training, maintenance*  
12 *procedures, procuring spare parts and optimizing the production at a full and stable*  
13 *level*". The steps necessary to get to a full and stable production is the economic  
14 priority. It is only when this is achieved, that the organization will have a chance to  
15 optimize production, conserve energy and reduce operating costs.