

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

2 Page 4.4, Table 4.1 - This table shows the Utility Rate Structure for NP. It shows a  
3 decrease in rates for the first energy block and an increase in rates for the second  
4 energy block. Explain in detail why this would be preferable to having proportional  
5 increases in both block rates.

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8 A. As opposed to a proportional increase to both NP energy blocks, the proposed rate  
9 structure is more transparent insofar as it targets the recovery of 100% of the non-  
10 fuel energy related revenue requirement in the first block and Holyrood fuel costs,  
11 the rural deficit and customer-related costs in the second block. The proposed NP  
12 rate structure also sets the second block slightly closer to the marginal cost of fuel  
13 oil than a proportional increase to both blocks would.