

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.