

1 **Volume 1, Section 4 – Customer Rates and Regulations**

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3 **Q. (page 111, lines 13-14) On what basis did NP choose the premium for demand rates**
4 **in winter months over non-winter months?**

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6 A. The Company is proposing that the non-winter season demand charges should be reduced
7 to increase the price differential between the winter and non-winter season from \$0.75 to
8 \$1.50, which will better reflect seasonal cost differences on the system. The Company
9 expects that it will propose further increases in the seasonal differential at its next GRA.

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11 Determining the proposed price differential required judgment and was influenced
12 primarily by a desire to limit the impact of the proposed rate changes on individual
13 customers within each class.

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15 The impact of the rate change on individual customers is influenced by many factors,
16 including the different proposed rate increases for each customer class, the proposed
17 increases in the tail block charges to better reflect marginal costs, and the proposed
18 change in demand charges itself. Another influence is the fact that the decrease in the
19 non-winter demand charges necessitates increases in other rate components so that the
20 revenue requirement can still be met.

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22 Details on customer impacts for each class are provided in the response to CA-NP 197.