

1 **NP-CA-87**

2 **Reference: Page 13, Footnote 22**

3 **Q. Does Mr. Todd agree that an increased frequency of general rate**
4 **applications for the single, or predominant, purpose of providing for**
5 **recovery of increased energy supply costs resulting from customer growth**
6 **is not consistent with regulatory efficiency? If not, why not?**

7

8 A. The question is based on a hypothetical scenario. Mr. Todd is not aware
9 of any evidence to suggest that customer growth will be the single or a
10 predominant reason for GRAs in the future.

11 If this hypothetical scenario is a concern to the Board, Mr. Todd would
12 recommend implementing an adjustment mechanism that is based on customer
13 growth and the difference between total marginal costs and total marginal
14 revenue associated with customer growth. This approach would be superior to
15 the Energy Supply Cost Variance clause proposed by NP in that it would not
16 pass through to customers the impact of changes in use per customer and
17 therefore would not remove the incentive for NP to pursue load management
18 programs that reduce energy purchases. Using this approach, the growth by
19 customer class could be considered, as well as the appropriate time frame (short
20 run versus long run marginal revenues and costs).