

1 Q. (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design
2 Report, page 9)

3 The Lummus report acknowledges that the Parties agreed that capacity and energy
4 rate components of the NP rate reflect current forecasts of time varying marginal
5 costs of system capacity and energy and that rate designs will take into account
6 trends in marginal costs. Please explain how Lummus incorporated the marginal
7 cost of capacity in its review of the NP rate design.

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10 A. Lummus Consultants is of the understanding that a reliable forecast of the marginal
11 cost of system capacity in light of the Labrador interconnection was not available at
12 the time the rate designs were developed. See also Hydro's response to NP-NLH-
13 120.