

1 Q. References:

- 2 (i) NLH 2017 GRA, Evidence, chapter 1, pages 1.7 and 1.8  
 3 (ii) NLH 2017 GRA, Evidence, chapter 5, schedule VII, page 5-VII-3  
 4 (iii) NLH 2017 GRA, Evidence, chapter 5, pages 5.35 and 5.36  
 5 (i) « Hydro is also seeking approval of the following: [...]»  
 6 • a revised transmission demand rate for Labrador Industrial Customers to  
 7 promote the efficient use of customers' demand requirements (see Chapter  
 8 5). »  
 9 (ii)

Proposed Rates Reflecting Proposed Methodology (per kW per month)

	Proposed January 1, 2018 Interim Rate	Proposed January 1, 2019 Rates
First Block (90% of Power on Order)	\$1.34	\$1.86
Metered Demand in Excess of First Block	\$2.83	\$3.95

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- (i) « Hydro is proposing to continue to use the same methodology to determine the costs to be recovered from the Labrador Industrial Transmission Customers. The average embedded cost for transmission demand allocated to Labrador industrial Customers has increased from the \$1.19 per kW approved for the 2015 Test Year to \$1.44 per kW for the 2018 Test Year and \$1.86 per kW for the 2019 Test Year. »
- (ii) « The proposed modification to the rate design does not change the total Test Year cost to be recovered from Labrador Industrial Transmission Customers. However, the proposed rate design provides a stronger financial incentive for the Labrador Industrial Customers to reduce their winter peak demands. Reduced peak demand from this customer class can contribute to reduced costs for all customers on the Labrador Interconnected System. »

1 Justify the apparent absence of revenue neutrality of the proposed inclining block  
 2 rate structure for the Labrador Industrial Transmission demand charge?

Average rate	<b>1,44</b>	100%	<b>1,86</b>	100%
First tier	1,34	90%	1,86	90%
Second tier	2,83	10%	3,95	10%
Average rate	<b>1,49</b>	100%	<b>2,07</b>	100%

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5 A. Hydro’s 2018 Test Year revenue requirement from the Labrador Industrial class  
 6 transmission demand is \$4,247,151.<sup>1</sup> Hydro’s interim rates seek to collect  
 7 approximately 70% of the increase relative to existing rates. As such, Hydro’s  
 8 rate design target for 2018 interim rates is approximately \$4,032,000.

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10 Table 1 provides the collection of Hydro’s 2018 interim revenues under both the  
 11 proposed Labrador Industrial rate design and the existing rate structure.

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<sup>1</sup> Exhibit 14, Page 101 of 107, Column 5, Line 66.

**Table 1 Comparison of Rate Designs**

<b>Customer</b>	<b>Proposed Rate Design</b>			<b>Existing Rate Design</b>		
	<b>Power on Order</b>	<b>Proposed Rates</b>	<b>Revenue</b>	<b>Billing Demand</b>	<b>Proposed Rates</b>	<b>Revenue</b>
<b>IOCC</b>						
First Block	2,646,000	1.34	3,545,640	2,940,000	1.37	4,027,800
Excess Block	<u>170,000</u>	2.83	<u>481,100</u>			<u>-</u>
	2,816,000		<b>\$ 4,026,740</b>			<b>\$ 4,027,800</b>
<b>Wabush</b>						
First Block	3,240	1.34	4,342	3,600	1.37	4,932
Excess Block	<u>360</u>	2.83	<u>1,019</u>			<u>-</u>
	3,600		<b>\$ 5,360</b>			<b>\$ 4,932</b>
<b>Class Total</b>						
First Block	2,649,240		3,549,982	2,943,600		4,032,732
Excess Block	<u>170,360</u>		<u>482,119</u>			<u>-</u>
	2,819,600		<b>\$ 4,032,100</b>			<b>\$ 4,032,732</b>

1 As shown in Table 1, both rate design options collect the same amount of revenue  
2 from the Labrador Industrial class and are therefore revenue neutral.<sup>2</sup> Hydro has  
3 taken this same approach for 2019 proposed rates which seek to collect Hydro’s  
4 2019 Cost of Service plus any revenue deficiency from 2018.

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<sup>2</sup> Variances of \$100 and \$732 exist due to rounding of approved transmission rates to two decimal places.