

1 Q. **Re: Section 5.9, page 5.36 and 5.37**

2 Citation 1 (p. 5.36):

3 The Labrador Industrial class peaks in the winter period, which is consistent with  
4 the system peak on the Labrador Interconnected System. Growth in system peak  
5 will accelerate the requirement for additional transmission on the Labrador  
6 Interconnected System. Hydro considers it appropriate to provide an improved  
7 price signal to promote effective demand management by the Labrador Industrial  
8 Customer class. Accordingly, Hydro is proposing a change to the Labrador Industrial  
9 rate design to promote effective use of resources through efficient demand  
10 management. Hydro is proposing an inclining block rate structure for the Labrador  
11 Industrial Transmission demand charge. ...

12  
13 The proposed modification to the rate design does not change the total Test Year  
14 cost to be recovered from Labrador Industrial Transmission Customers. However,  
15 the proposed rate design provides a stronger financial incentive for the Labrador  
16 Industrial Customers to reduce their winter peak demands.

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18 Citation 2 (p. 5.37)

19 The proposed higher priced second block will apply when the customer's load is in  
20 excess of 90% of its annual Power on Order. The proposed rate design to become  
21 effective January 1, 2018 on an interim basis is as follows:

22 First Block (90% of Annual Power on Order) @\$1.34 per kW per month

23 Excess @\$2.83 per kW per months

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25 a) Please confirm that the rate proposed in Citation 2 is not seasonal; i.e., the  
26 higher rate of \$2.83/kW-month would apply in any month in which demand  
27 exceeds 90% of Annual Power on Order, regardless of the season.

1           b)     Please explain why the proposed rate design is preferable to a seasonal rate,  
2                     that would charge a higher rate for winter months.

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5    A.     a)     The proposed rate does not have an explicit price difference between the  
6                     winter and the non-winter periods and therefore would not be considered a  
7                     seasonal rate. However, if a customer's demand requirements are likely to  
8                     exceed 90% of their annual Power on Order in the winter months but are  
9                     not likely to do so in the non-winter months, then the higher second-price  
10                    block would be the cost of adding to peak demand in the winter while the  
11                    lower-priced first-block price would apply in the non-winter months. In such  
12                    circumstances, the customer will perceive that the proposed rate design  
13                    does include attributes of a seasonal rate design and may adjust their  
14                    behavior in response.

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16           b)     The proposed design does not claim superiority to a formal seasonal rate.  
17                     However, the proposed design achieves a similar seasonal effect while also  
18                     providing an improved marginal price signal to manage demand  
19                     requirements in all months of the year. Hydro does not rule out the use of  
20                     seasonal pricing as a vehicle for rate design in the future.