

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

2 Citation:

3 The generation demand costs allocated to Labrador Industrial Customers will
4 continue to be recorded by Hydro as a cost recovery and included in Other
5 Revenues.

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7 Please explain in detail the proposed regulatory treatment of generation demand
8 costs for Labrador Industrial Customers.

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11 A. In accordance with subsection 5.8(2) of the *Electrical Power Control Act, 1994*, the
12 *Public Utilities Act* does not apply to the setting of electricity rates for Industrial
13 Customers in Labrador, other than the transmission components of those rates. On
14 an annual basis, Hydro submits a report to the Minister of Natural Resources prior
15 to publishing a new Labrador Interconnected Industrial rate.

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17 In accordance with the Labrador Industrial Rate Policy, the energy charge is set
18 annually based on a set formula. The transmission demand rate is approved by the
19 Board through the General Rate Application process. The generation demand costs
20 to be recovered from the Labrador Industrial Class reflects the portion of capacity-
21 related generation costs allocated to Labrador Industrial Customers in the Test Year
22 Cost of Service study approved by the Board.

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24 Hydro achieves recovery of the approved generation demand costs allocated to the
25 Labrador Industrial Class by applying a separate demand charge to provide recovery
26 of the Test Year capacity-related generation costs approved by the Board. The

1 capacity-related demand rate is updated as necessary in the annual update to
2 Labrador Industrial Customer rates.

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4 The establishment of the Labrador Industrial Rates Policy introduced one rate for all
5 Labrador Interconnected Industrial Customers, enabling both potential customers
6 and the Province to engage in long-term planning and evaluation of potential
7 developments, while maintaining competitive industrial electricity rates. The new
8 policy was partially implemented in May 2013 and fully implemented in January
9 2015 for all existing and future Labrador Interconnected Industrial Customers.¹

¹ Effective January 1, 2015, the full load requirements of IOC and Wabush Mines are subject to the Labrador Industrial Rate.