Q. **Reference: November 30, 2022, Hydro Presentation**

LIS Non-Firm Rate Background

With respect to Slide 5:

a) What was the new LIS Network Additions Policy ("Nap") that was implemented in March 2021?

b) With which parties did Hydro make a Settlement Agreement requiring it to review whether the non-firm service offering was reasonable to implement? What was the basis for determining reasonableness? What were the terms of the Agreement?

c) What are the limited number of customers identified in the June 2021 feasibility report? Who were they? What was the assumption(s) respecting the amount of power to be used by or allocated to each such customer? What power, if any, has been allocated?

d) Where and to whom is energy in excess of monthly firm load forecasts sold?

e) What is the source and amount of the "surplus Recapture Energy"? Does it include any energy besides the Recapture block of 300 MW referred to Section 3.2 of Schedule 1 Attachment 1 of the Application? How much of the surplus Recapture Energy would be available without the Recapture block?

f) How does the "surplus Recapture Energy" relate to the determination of the excess monthly load forecasts?

g) How much of the "surplus Recapture Energy" is sold outside the Province, where and at what price? What has been the net revenue?

h) Has Hydro incurred any additional capital cost to make non-firm power available in Labrador?

A. **a)** On December 14, 2018, Newfoundland and Labrador Hydro ("Hydro") filed the Labrador Interconnected System Network Additions Policy[1] outlining its proposed Network Additions Policy ("Policy") for addressing network additions on the Labrador Interconnected system. The Policy set out the approach that would be used to determine the contribution requirements from customers on the Labrador Interconnected System related to: (i) transmission system extensions to connect new customers or Non-Utility Generators, and (ii) demand requirement requests from customers that may contribute, immediately or over time, to transmission network extensions or upgrades. The Policy will also be used to determine the contributions required from transmission customers requesting open-access transmission service. In the review process related to the application for approval of the Policy, following the technical conference and the filing of the responses to the additional requests for information, Hydro entered into settlement discussions in relation to the Policy. Hydro held discussions with the Labrador Interconnected Group in relation to the specific application of the proposed Policy to the Labrador Interconnected System. As a result of these discussions, a settlement agreement was signed by Hydro and the Labrador Interconnected Group ("Settlement Agreement"). On December 8, 2020, Hydro filed the Settlement Agreement with the Board of Commissioners of Public Utilities ("Board") and advised that Newfoundland Power Inc., the Consumer Advocate, and the Island Industrial Customer Group had no objection to the agreement and the Iron Ore Company of Canada had no comment. The Board approved the Policy on March 17, 2021.[2]

b) As part of the Settlement Agreement entered into between Hydro and the Labrador Interconnected Group,[3] Hydro agreed to conduct a review of the feasibility of adding a Non-Firm Rate option to the Policy and file a report with the Board by mid-2021.[4] Hydro filed the report "Feasibility of the Addition of a Non-Firm Rate Option to the Network Additions

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[1] "Network Additions Policy – Labrador Interconnected System," Newfoundland and Labrador Hydro, December 14, 2018.
[2] *Public Utilities Act*, RSNL 190, c P-47, Board Order No. P.U. 7(2021), Board of Commissioners of Public Utilities, March 17, 2021.
[3] "Newfoundland and Labrador Hydro's Proposed Labrador Network Additions Policy – Settlement Agreement," Newfoundland and Labrador Hydro, December 8, 2020, <http://www.pub.nl.ca/applications/NLH2018NetworkAdditions/settlement/From%20NLH%20-%20Settlement%20Agreement%20-%202020-12-08.pdf>.
[4] Although the presentation used the word "reasonable" the Settlement Agreement required Hydro to review the feasibility of the service.

Policy for the Labrador Interconnected System" ("June 2021 Feasibility Report") on June 30, 2021.[5]

c) No specific customers were contemplated in the June 2021 Feasibility Report. Hydro's language was meant to indicate that due to the practical limitations of a non-firm energy product, the necessary terms and conditions, and the cost of such a service, the number of customers who would avail of the service would likely be limited. The amount of available non-firm capacity in Labrador East and Labrador West was indicated in the Non-Firm Rates Application.[6] At the time of the June 2021 Feasibility Report, there were no proposals of allocation, as Hydro had not yet solicited applications. The suggested allocations that have been developed subsequent to discussions with applicants for non-firm service are detailed in the Non-Firm Rates Application.[7] No allocations have been confirmed pending the completion of the application process and approval of the non-firm rate.

d) As stated on Slide 5 of its presentation, Hydro sells energy in excess of its monthly firm load forecasts to Labrador Industrial customers at the Imbalance Rate.[8] The remaining excess energy is then sold into export markets. Please refer to Hydro's response to BKL-NLH-001 of this proceeding for where excess energy has been sold over the past few years.

e) As per Hydro's response to BKL-NLH-006 of this proceeding, Churchill Falls (Labrador) Corporation sells 300 MW to Hydro for use in the province (Recapture Block) with no limitations on the location of use. Available capacity attributable to surplus Recapture Energy is approximated to be 60 MW over peak on the Labrador Interconnected System. Hydro would not have surplus Recapture Energy available for sale without Hydro's entitlement to the Recapture Block.

f) The Recapture Block is purchased by Hydro for use in the province with no limitations on the location of use. The monthly load forecast for Hydro's existing customers in Labrador would be determined with service to these customers prioritized; the remaining amount available

[5] "Feasibility of the Addition of a Non-Firm Rate Option to the Network Additions Policy for the Labrador Interconnected System," Newfoundland and Labrador Hydro, June 30, 2021 is included as "Application for a Non-Firm Rate for Labrador," Newfoundland and Labrador Hydro, September 15, 2022, sch. 1, att. 1.
[6] "Application for a Non-Firm Rate for Labrador," Newfoundland and Labrador Hydro, September 15, 2022, sch. 1, att. 1, table 5.
[7] "Application for a Non-Firm Rate for Labrador," Newfoundland and Labrador Hydro, September 15, 2022, sch. 2, table 2.
[8] The Imbalance Rate on the Labrador Interconnected System applies to excess energy sold to Labrador Industrial customers; the price for the Imbalance Rate is based on the forecast average monthly market price and is updated monthly.

is categorized as surplus Recapture Energy. Hydro currently sells the surplus to Nalcor Energy Marketing Corporation for export.

g) In 2021, the total surplus Recapture Energy was 1.5 TWh. Of the surplus Recapture Energy, 96% was sold outside the province to New York, New England, Ontario, and the Maritimes. Most energy is sold at market-settled spot prices, which vary from hour to hour and season to season. The net revenue from surplus Recapture Energy in 2021 was $26.7 million.

h) To date, no additional capital costs have been incurred to make non-firm energy available. Investment in transmission, if required, to provide non-firm service to a new customer is proposed to be recovered through an up-front contribution from the non-firm customer.

As outlined in the Non-Firm Rates Application,[9] investment in transmission infrastructure is required to provide non-firm service in Labrador East. At this time, there is no anticipated requirement for investment to provide non-firm service in Labrador West.

[9] "Application for a Non-Firm Rate for Labrador," Newfoundland and Labrador Hydro, September 15, 2022, sch. 1, sec. 2.2, p. 5.