Q. Why is Hydro now proposing to amend its application to include a floor price?

a) Does NL Hydro propose to calculate and refund the revenues realized from local customers as a result of the price floor?

b) How much lower were prices when Hydro lost money on export sales?

c) At what price would export sales have to reach to trigger a local price floor?

d) What is the rationale for NL Hydro seeking a price floor from local customers but not sharing the benefits when prices decrease in export markets?

e) Did NL Hydro consider repaying the revenue paid by customers as a result of the price floor when prices increase beyond the floor.

A. Newfoundland and Labrador Hydro ("Hydro") believes it is prudent to establish a minimum price to avoid the possibility of negative pricing for non-firm energy. Please refer to Hydro's responses to NP-NLH-004 and BKL-NLH-026 of this proceeding.

a) Based on Hydro's proposed rate, no excess billing would occur and no refunds would be due. Hydro has proposed that revenues from proposed Rate No. 5.1L – Non-Firm Energy will be credited to the Net Revenue from Exports Variance component in the Supply Cost Variance Deferral Account. This proposal will enable non-firm revenues associated with the proposed rate to contribute to rate mitigation for customers on the Island Interconnected System.

b) As stated in Hydro's revised application,[1] the proposed floor price is based on the firm energy price charged to large General Service customers on the Labrador Interconnected System (i.e., Rate No. 2.4L for which the energy charge is currently 1.675 cents per kWh). As indicated in Hydro's response to BKL-NLH-030 of this proceeding, the average market price

[1] "Application for a Non-Firm Rate for Labrador," Newfoundland and Labrador Hydro, rev. March 29, 2023 (originally filed September 15, 2022).

experienced by Hydro in 2020 when financial losses were reported by Nalcor Energy Marketing Corporation ("NEM") was approximately 2 cents per kWh in the New York market and approximately 3 cents per kWh in the New England market.[2]

c) The net export price would need to decline to below the firm energy price charged to large General Service customers on the Labrador Interconnected System to trigger the proposed floor price (i.e., Rate No. 2.4L for which the energy charge is currently 1.675 cents per kWh). Please refer to Schedule 2 of the revised application.

d) When prices decrease materially in external markets, Hydro could elect to stop exporting and store water until the export market improves. Therefore, Hydro believes there should be a lower limit when using market values in setting the non-firm price.

e) Please refer to part a) of this response.

[2] As stated in response to BKL-NLH-004 of this proceeding, the reasons for the losses by NEM in 2020 were a combination of: (i) the approximate $20 million fixed cost for deliveries through Québec; (ii) low average export prices; and (iii) less available Recapture Energy for export due to supply of Recapture Energy to the Island.