Q. **Reference: Application, Schedule 1, page 6**

Please detail how other Canadian utilities that sell surplus or additional energy on a non-firm basis consider recovery of embedded costs in their pricing. Please provide the information by each utility - Manitoba Hydro, BC Hydro, NB Power, and Hydro Quebec.

A. If energy is sold on a non-firm basis, costs associated with delivery are typically waived as surplus energy by definition does not increase the need for capacity. This approach is followed by all utilities listed above except for Manitoba Hydro,[1] which recovers some fixed costs via a customer "basic" charge and a distribution (per kWh) charge. Utility-specific notes follow.

i. **BC Hydro.**[2] For their Freshet and Incremental Energy Pilot rates, embedded costs are recovered under the default rate (RS 1823) with prices charged up to the customer's Customer Baseline Load. The incremental energy rate is market based.

ii. **Hydro-Québec.** For their Additional Energy Option, the price is based on the utility's marginal cost of supply, which is differentiated by season. The winter (peak season) price is a weighted average of short-term avoided cost and heritage pool price (which reflects embedded cost). This sharing reflects expectations of the source of incremental energy.

iii. **Manitoba Hydro.** As noted above, non-energy-related charges recover a portion of embedded costs reflecting the marginal customer-related and demand-related costs.

iv. **NB Power.**[3] The utility recovers embedded costs from large Industrial rate customers wholly via the terms of the standard rate. Customers consuming surplus power obtain incremental generation services priced at the utility's incremental

[1] The Manitoba Hydro-Electric Board ("Manitoba Hydro").
[2] The British Columbia Hydro and Power Authority ("BC Hydro").
[3] New Brunswick Power Corporation ("NB Power").

cost, which is defined for on-peak and off-peak periods. Embedded costs are not part of this price scheme.