

1 Q. Schedule 1, Evidence, Attachment 1, page 11 of 24. In Section 5.2, Table 6 Hydro noted that an
2 appropriate rate design approach for non-firm service on the Labrador Interconnected System
3 would include a demand charge on transmission costs. However, Hydro is proposing to not
4 apply a demand charge for the use of non-firm service. Please explain.

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7 A. Newfoundland and Labrador Hydro (“Hydro”) changed its position on whether it should apply a
8 demand charge for non-firm service based on the review of the pricing approach of
9 surplus/additional energy conducted by Christensen Associates Energy Consulting, LLC (“CA
10 Energy Consulting”) which is provided in Schedule 1, Attachment 2.¹ The CA Energy Consulting
11 review indicated that no demand charges are applied in the sale of surplus/additional energy by
12 BC Hydro,² Manitoba Hydro,³ NB Power⁴ and Hydro-Québec. Hydro also notes that the
13 application of a demand charge is not consistent with an incremental cost approach to pricing
14 for non-firm energy. There are no incremental common transmission or generation capacity
15 costs as a result of the provision of the proposed non-firm service.⁵

¹ “Application for a Non-Firm Rate for Labrador,” Newfoundland and Labrador Hydro, September 15, 2022, sch. 1, att. 2.

² The British Columbia Hydro and Power Authority (“BC Hydro”).

³ The Manitoba Hydro-Electric Board (“Manitoba Hydro”).

⁴ New Brunswick Power Corporation (“NB Power”).

⁵ Please refer to “Application for a Non-Firm Rate for Labrador,” Newfoundland and Labrador Hydro, September 15, 2022, sch. 1, pp. 9–10.