

1 Q. Schedule 1, page 10. Hydro explains that since the usage of non-firm energy by the Island  
2 Industrial customers is projected to be materially higher in the future because of the potential of  
3 lower rates due to the change in marginal costs, the use of the 10% loader currently included in  
4 the Island Industrial customer's rate would not be considered cost base. However, Hydro also  
5 stated that it will be incurring administrative costs in the provision of non-firm service and is  
6 proposing a monthly Basic Customer Charge of \$85.25 per month for non-firm customers on the  
7 Labrador Interconnected System.

8 a) Please explain the rationale for Hydro's decision to eliminate the 10% administrative charge  
9 for the Island Industrial customers but propose the \$85.25 monthly charge for non-firm  
10 customers on the Labrador Interconnected System.

11 b) In its response to PUB-NLH-001, Hydro stated that they have not yet completed a detailed  
12 analysis with respect to the annual administrative cost of making the Labrador  
13 Interconnected System non-firm rate available, however they believe that using the same  
14 Basic Customer Charge as is currently used by Newfoundland Power in serving its Rate 2.4  
15 customers is a reasonable approach in implementing the Labrador Interconnected System  
16 non-firm rate. Does Hydro believe that this approach would provide a cost-based rate? If so,  
17 please explain.

18 c) When does Hydro plan to complete a detailed analysis of its annual administrative cost of  
19 providing the non-firm rate to the Labrador Interconnected System?  
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22 A. a) As stated in Schedule 1 of the application,<sup>1</sup> the usage of non-firm energy is projected to be  
23 materially higher in the future than it has been in the past, and the use of a 10% loader  
24 would be considered excessive and not cost based. Similarly, Newfoundland and Labrador  
25 Hydro's ("Hydro") review of other jurisdictions in Canada did not find that other utilities  
26 applied an administrative charge to their non-firm rate. While Hydro found that a 10%  
27 administrative loader applied to the variable energy charges could overcharge customers,

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<sup>1</sup> "Application for a Non-Firm Rate for Labrador," Newfoundland and Labrador Hydro, rev. March 29, 2023 (originally filed September 15, 2022), sch. 1, sec. 2.3.5, p. 10.

1 Hydro would be incurring administrative costs in the provision of non-firm service (e.g.,  
2 billing costs, meter reading, posting the monthly price, administering curtailments, etc.).  
3 Therefore, Hydro believes it is appropriate to apply a monthly customer charge to non-firm  
4 customers.

5 Hydro does not currently have an explicit demand charge for large General Service  
6 customers on the Labrador Interconnected System. However, given the administrative costs  
7 for non-firm customers should be reasonably comparable to large General Service  
8 customers on the Island Interconnected System (as explain in part b) to this response),  
9 Hydro proposes to implement a monthly Basic Customer Charge equal to that applied for  
10 Island Interconnected System General Service customers with demands of 1,000 kVA or  
11 greater. The Island Interconnected System Rate is currently \$85.25 per month.

12 **b)** Newfoundland Power Inc.'s ("Newfoundland Power") Cost of Service Study from its  
13 2022/2023 General Rate Application indicates that metering costs represent, by far, the  
14 largest portion of customer-related costs for Rate 2.4 (i.e., slightly less than 90%).<sup>2</sup>  
15 Customer-related costs are used as basis for establishing the monthly customer charge. As  
16 indicated in Hydro's response to PUB-NLH-001 of this proceeding, the metering costs  
17 incurred to serve Hydro's non-firm customers will be similar to those incurred in serving  
18 Newfoundland Power customers. The administrative process that Hydro is setting up to  
19 interrupt non-firm customers is also similar to that which applies to the Newfoundland  
20 Power Rate 2.4 customers that participate in the curtailable service option. Therefore,  
21 Hydro believes using the Rate 2.4 monthly customer charge as an initial approach to recover  
22 customer-related costs is reasonable as a first step in establishing the non-firm rate.

23 **c)** After the non-firm rate is implemented and Hydro has an opportunity to better understand  
24 the requirements to administer the non-firm rate, Hydro will be able to present a fully  
25 informed review with respect to the administrative cost of making the non-firm rate  
26 available. This may require a couple of winter seasons prior to Hydro having adequate  
27 information to complete its review.

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<sup>2</sup> "2022/2023 General Rate Application," Newfoundland Power Inc., May 27, 2021, vol. 2, rpt. 4, app. A, sch. 1.2, p. 1 of 2 indicate that 89% of customer-related costs are associated with metering.