

1 Q. Re: Non-Firm Rate Presentation, page 15; Non-Firm Rate Application, pages 22 (pdf) and 38-39  
2 (pdf)

3 Citation 1 (presentation):

4 Non-firm energy use does not contribute to investments in common system capacity;  
5 therefore, no demand charge proposed.

6 Citation 2 (p. 22):

7 While the non-firm customers will not pay explicitly for the use of the common  
8 transmission facilities system through customer rates, they will be subject to the pricing  
9 variability in the energy markets and may at times pay charges for non-firm energy in  
10 excess of the published firm energy rates. This would be expected to occur frequently in  
11 Labrador where the firm electricity rates are among the lowest in North America.  
12 Therefore, Hydro is proposing not to apply a demand charge for the use of non-firm  
13 service. This approach is consistent with the pricing for surplus/additional energy in  
14 other Canadian jurisdictions. The proposed approach will provide for increased revenue  
15 from non-firm sales to offset the estimated reduction in net exports due to those  
16 increased non-firm sales. (underlining added)

17 Citation 3 (application pp. 38-39):

18 As the non-firm customers would use the transmission system, Hydro believes it would  
19 be appropriate for the customers to pay a transmission demand charge based on the  
20 average embedded cost of demand. This is currently \$1.08 per kW on the Labrador  
21 Interconnected System. As this service is non-firm, the rate would apply to the  
22 maximum monthly demand and would not apply to the maximum annual demand as is  
23 the case for firm demand. (underlining added)

- 24 a) Please explain the apparent contradiction between the quoted passages which state  
25 that non-firm customers should pay a transmission demand charge based on the  
26 average embedded cost of demand, and those that state that there will be no demand  
27 charge.
- 28 b) If no demand charge is proposed, does this imply that non-firm service would be less  
29 expensive than firm service? Please explain in the detail the implications of the absence  
30 of a demand charge.
- 31 c) If no demand charge is proposed, please explain why, in Hydro's view, non-firm  
32 customers should not pay for the use of common transmission facilities.

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- 1    A.    **a)** Please refer to Newfoundland and Labrador Hydro’s (“Hydro”) response to PUB-NLH-006 of  
2            this proceeding.
- 3            **b)** The exclusion of a demand charge from the proposed Labrador Interconnected System Non-  
4            Firm Rate does not imply that non-firm service would be less expensive than firm service.  
5            The absence of a demand charge enables the proposed price for non-firm service to change  
6            monthly on a consistent basis with the forecast market value of exports which reasonably  
7            reflects the incremental cost of the non-firm energy being sold. Based on the net market  
8            price forecast, the price of non-firm energy is forecast to materially exceed the current firm  
9            energy charges in effect on the Labrador Interconnected System for the years 2023, 2024  
10           and 2025.<sup>1</sup>
- 11         **c)** Please refer to Hydro’s response to part a) and part b).

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<sup>1</sup> “Application for a Non-Firm Rate for Labrador,” Newfoundland and Labrador Hydro, September 15, 2022, sch. 1, p. 11, table 4.