

1 Q. Schedule 1, page 7. Please provide evidence that the "existing demand charge of \$5.00 per kW
2 per month was agreed upon amongst the parties and approved by the Board in the 2017 GRA,
3 considering marginal capacity cost and the increase in embedded demand costs." In providing
4 the response, please specifically note whether or where parties indicated they considered
5 marginal and embedded demand costs.

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8 A. The demand rate is negotiated and does not collect all demand related costs; however, it is
9 designed to reflect a balance between high embedded demand costs and marginal costs. In
10 Newfoundland and Labrador Hydro's ("Hydro") 2006 General Rate Application ("GRA"), it was
11 agreed that a Billing Demand charge of \$4.00 per kW was appropriate to better reflect the
12 marginal capacity costs on the Island Interconnected System at the time of the 2006 GRA.¹

13 In the 2013 Amended GRA, this rate was originally proposed to increase to \$5.50 per kW per
14 month to collect increasing marginal costs. It was said that this rate "[...] *reasonably reflects the*
15 *marginal capacity costs for the period 2015 to 2017 with the inclusion of the new combustion*
16 *turbine at Holyrood.*"² Ultimately, a rate of \$4.75 per kW was settled upon, which again, gave
17 consideration to the marginal capacity costs and the increase in embedded demand costs.³

18 In the 2017 GRA, the embedded demand costs increased again; however, Hydro believed that a
19 moderate increase was appropriate and proposed up to \$5.25 per kW.⁴ Hydro noted in its 2017
20 GRA Proposals:

¹ Board Order No. P.U. 8(2007), p. 38.

² "2013 Amended General Rate Application," Newfoundland and Labrador Hydro, amended November 10, 2014 (originally filed June 30, 2013) pp. 4-24/3-5.
<http://www.pub.nl.ca/applications/ARCHIVE/2013/NLH2013GRA-Amended/files/application/NLH-2013-GRA-Application-Volume-1-AMENDED-2014-11-10.pdf>

³ "2017 General Rate Application," Newfoundland and Labrador Hydro, rev. July 4, 2018 (originally filed July 28, 2017), vol. I, ch. 5, sec. 5.6.2, p. 5.18.

<http://www.pub.nl.ca/applications/2017/NLH2017GRA/applications/NLH%202017%20General%20Rate%20Application%20-%20Volume%20-%20Revision%205%20-%202018-07-04.PDF>

⁴ "2017 General Rate Application," Newfoundland and Labrador Hydro, rev. July 4, 2018 (originally filed July 28, 2017), vol. I, ch. 5, sec. 5.6.2, p. 5.19.

1 “The mechanics for determining the Utility Rate for Newfoundland Power have included
2 maintaining a second block price signal to reasonably reflect the price of Holyrood fuel,
3 considering the demand rate in light of both marginal and embedded capacity costs and
4 determining the first block rate to ensure the overall rate recovers the Newfoundland Power
5 revenue requirement.

6 With the rate design review for Newfoundland Power and Island Industrial customers scheduled
7 to occur subsequent to the current GRA, Hydro is not proposing any change in the historical rate
8 design approach.”⁵

9 An increase to \$5.00per kW was settled upon.⁶

10 Based on this history, the billing demand rate charged to Newfoundland Power since the 2006
11 GRA has been settled amongst the parties. While the settlement agreements did not specifically
12 note that marginal and embedded capacity costs were considered, Hydro believes that it is
13 evident from the record that they were.

⁵ “2017 General Rate Application,” Newfoundland and Labrador Hydro, rev.5 July 4, 2018 (originally filed July 28, 2017), p. 5.17.

⁶ “2017 General Rate Application,” Newfoundland and Labrador Hydro, Supplemental Settlement Agreement, item. 9 a), p. 2.