

1 **Q. Newfoundland Power states that using the 2nd block Utility Rate in the annual**  
2 **settlement of credits ensures that Newfoundland Power pays a reasonable**  
3 **approximation of system marginal energy costs for accumulated energy credits.**  
4 **How will Newfoundland Power address the net metering rate if there are changes in**  
5 **marginal energy costs which can only be reflected in the utility rate through a**  
6 **general rate application?**  
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8 A. Newfoundland Power observes that current regulatory expectations are that the  
9 Newfoundland and Labrador Hydro utility rate (the “Utility Rate”) will be set by the  
10 Board in the first half of 2017. The Utility Rate will further be considered based upon a  
11 2018 test year in a general rate application to be filed in the first half of 2017. The Utility  
12 Rate will be further considered in the context of the interconnection of Muskrat Falls  
13 before 2020. Given this forecast schedule, Newfoundland Power sees little risk that  
14 substantial changes in marginal energy costs will not be reflected in the Utility Rate in a  
15 timely way up to the interconnection of Muskrat Falls.  
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17 In this Application, Newfoundland Power proposes a re-examination of the pricing  
18 associated with the Net Metering Service Option once the impacts on system costs and  
19 customer rates resulting from the interconnection of Muskrat Falls are known. An issue  
20 to be considered in such a re-examination is ensuring that the Net Metering Service  
21 Option continues to appropriately reflect system costs.  
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23 Finally, Newfoundland Power’s ongoing monitoring of the Net Metering Service Option  
24 will include consideration of changes in the marginal cost of energy on the Island  
25 Interconnected system. If, as a result of changes in system marginal energy costs, the rate  
26 applicable to the annual settlement of energy credits is no longer appropriate, then action  
27 can be taken to ensure the Net Metering Service Option continues to appropriately reflect  
28 system costs in a timely way. This occurs routinely for Newfoundland Power’s existing  
29 rates, including the Curtailable Service Option.