

1 **Q. Reference: Island Industrial Non-Firm Proposal – thermal rate – Schedule 1, page 13**

2 Hydro indicates that the utility needs to “continue to have the option to apply thermal fuel costs
3 as an incremental cost in computing the non-firm rate”.

4 Please provide a detailed description of how Hydro would apply the thermal fuel cost rate. For
5 example, would it apply anytime Holyrood is operating, or only when Holyrood is the marginal
6 supply source and opportunity exports have been curtailed? How soon would the rate apply to
7 industrial customers under this operating condition? Would the customers be notified in all
8 cases before the thermal rate was applied? How would customers be notified? If the customers
9 wanted to avoid being exposed to the thermal rate, how quickly would they have to curtail use?
10 What if the Holyrood rate is lower than the non-firm rate that otherwise prevailed in the
11 period?

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14 **A.** Newfoundland and Labrador Hydro (“Hydro”) will apply thermal fuel cost rates (Holyrood, Gas
15 Turbines, Diesel Generators) when those units are the incremental cost of supply on the Island
16 Interconnected System (for example, when the Holyrood Thermal Generating Station is
17 operating at above minimum capacity levels).

18 As is standard utility practice, Hydro uses 15-minute (starting at the top of the hour) interval
19 metering data for customer invoicing. The updated non-firm price would apply at the interval
20 immediately following the change in the incremental cost of supply (e.g., if the incremental cost
21 of supply changed from Market to Holyrood at 07:06 hours, than the billing interval starting at
22 07:15 will use the Holyrood cost in computing the incremental cost of supply).

23 Hydro is envisioning using a website portal where customers will have continuous access to the
24 current incremental supply source and the forecast incremental supply sources. This website
25 portal will need to be developed and implemented; it is not currently available. Please refer to
26 Hydro’s response to PUB-NLH-005 of this proceeding.

1 If a customer wanted to avoid being exposed to the non-firm rate reflecting the incremental
2 thermal cost, the customer would have to curtail use of non-firm energy before the non-firm
3 rate reflecting the incremental thermal cost became effective.

4 The proposed non-firm rate is based on the estimated incremental cost on the Island
5 Interconnected System at the time of supply. Holyrood fuel would not be used in computing the
6 non-firm price unless Holyrood fuel is the incremental cost of supply. The application of the
7 proposed non-firm rate does not include a cost comparison of fuel and net market value in
8 determining the non-firm rate to apply.