

1 **Q. Reference: Application, Schedule 1, page 6 and Application, Schedule 1, Attachment 1, page 8.**

2 Both BC Hydro and NB Power include an “addor” to the market-based portion of their respective
3 non-firm pricing. Please explain in detail the reasoning for the adders by each utility, including if
4 embedded (or fixed) costs are considered in the application of the adder.

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7 **A.** In each case the purpose of the adder is to earn a nominal return on the sale of the commodity,
8 rather than simply offering energy as a pass-through of the commodity price. For BC Hydro,¹ the
9 adder is intended to make a contribution to fixed costs to minimize risks to non-participants.
10 Additional considerations are the risk of under-forecasting marginal cost to participants and
11 uncertainty in general.² (Note that the adder has two levels and is lower in the Freshet period
12 (when run-of-the-river power is abundant).

13 For NB Power,³ the adder is a vehicle for recovering incremental administration costs or, more
14 generally, making a modest contribution to fixed costs arising from the offer or surplus energy.
15 The adder is defined by time period: the on-peak adder is set at 0.9 cents per kWh and the off-
16 peak adder is set at 0.3 cents per kWh. This serves to make the adder closer to a fixed
17 proportion of incremental cost.

¹ The British Columbia Hydro and Power Authority (“BC Hydro”).

² “Transmission Service Market Reference Priced Rates Application,” British Columbia Hydro and Power Authority, October 31, 2019, pp. 63 and 74.

³ New Brunswick Power Corporation (“NB Power”).