

1 Q. Schedule 1, Evidence, page 10, Footnote 23. Non-firm revenues generated based on the use of  
2 hydraulic generation are credited to the Supply Cost Variance Deferral Account. Please provide  
3 Hydro's position on the potential treatment of non-firm revenues from Labrador customers that  
4 may offset the reduction in net exports due to those increased non-firm sales.

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7 A. Newfoundland and Labrador Hydro ("Hydro") believes non-firm revenues from Labrador  
8 customers should contribute to the rate mitigation required to keep electricity rates affordable  
9 on the Island Interconnected System. The reasons for Hydro's view on this matter are provided  
10 below:

11 i. Non-firm sales are not used in the determination of revenue requirement or the  
12 allocation of costs between customer classes in the cost of service for test year rate  
13 setting. So an increase in non-firm sales on the Labrador Interconnected System  
14 would not be expected to reduce firm rates for customers on the Labrador  
15 Interconnected System.

16 ii. The source and amount of the surplus Recapture Energy is provided from the  
17 Churchill Falls 300 MW Recapture Block that is sold to Hydro for use in the province.  
18 The Recapture Block is purchased by Hydro for use in the province with no  
19 limitations on location of use. There is currently more Recapture Energy available  
20 than what is currently needed to serve Hydro's existing customers in Labrador.

21 iii. The benefits of Recapture Energy exports has historically flowed through to the  
22 provincial government (who is funding rate mitigation) and the implementation of  
23 non-firm rates on the Labrador Interconnected System will reduce the export value  
24 achieved.