

1 Q. **Reference: Application, Volume I, Section 6.7 Rates for Island Industrial Customers**

2 Hydro states that the purpose of the September 30, 2019 Wholesale and Island Industrial Rate
3 Design Review Update Report was to consider rate design changes that may be required upon
4 full commissioning of the Muskrat Falls Project and Hydro's marginal cost of energy moving from
5 No. 6 fuel to the opportunity cost of the market value of exports. Hydro's proposed rate is based
6 on an hours of use rate design.

7 a) Did Hydro consider any additional or alternative rate designs for the industrial
8 customers?

9 i. If yes, please detail which options were considered and provide copies of any
10 reports or studies completed regarding those options.

11 ii. If other options were considered and rejected, please describe on what basis
12 those options were rejected.

13 iii. If alternative rate designs were not considered, please explain why.

14 b) Please indicate which Canadian electric utilities have implemented a rate design based
15 on the hours of use model.

16 i. Please provide details of the existing tariffs for the utilities using this model.

17 c) Please provide references to Canadian electric utilities that have implemented a rate
18 design based on the hours of use model, including references to existing tariffs.

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21 A. *Responses to parts b) and c) were provided by Christensen Associates Energy Consulting.*

22 a) i. No other options were considered.

23 ii. Please refer to Newfoundland and Labrador Hydro's ("Hydro") response to part i.

1 iii. In the Wholesale and Industrial Rate Design Review Update Report filed with the Board
2 of Commissioners of Public Utilities on September 30, 2019, Hydro stated that the
3 proposed changes to the Island Industrial rate structure would be limited to those
4 necessary as a result of No. 6 fuel at the Holyrood Thermal Generating Station no longer
5 reflecting the marginal energy cost on the Island Interconnected System. To implement
6 this change, Hydro proposed implementing an energy blocking structure in which the
7 marginal price is based on Hydro's test year average unit value of exports.

8 Consistent with this report, Hydro's proposal in the 2026 General Rate Application limits
9 changes to the rate structure to those noted in the report. The only other alternative
10 considered at this point was to maintain the existing rate structure.

11 b) Hydro is aware that NB Power, Maritime Electric, and Nova Scotia Power have implemented
12 rate designs based on an Hours of Use methodology. Hydro notes that other utilities may
13 have adopted similar rate designs; however, Hydro has not conducted a comprehensive
14 survey of Canadian utility rates.

15 i. **NB Power** uses a Small Industrial Service tariff in which the first energy block applies
16 to the first 100 kWh per kilowatt of billing demand, with all subsequent energy
17 consumption billed at a lower energy rate.

18 **Maritime Electric** also uses a Small Industrial Service tariff that includes a first
19 energy block of 100 kWh per kilowatt of billing demand, followed by a second block
20 with a lower energy rate.

21 **Nova Scotia Power** has two tariffs that follow the hours-of-use model. Under
22 Commercial General Demand Rate 11, the first energy block includes 200 kWh per
23 month per kilowatt of maximum demand, after which a lower energy rate applies.
24 Under Small Industrial Rate 21, the first energy block includes 200 kWh per month
25 per kVA of maximum demand, with energy consumed above that threshold billed at
26 a lower rate.

27 c) Links to the tariff sheets mentioned in response to part b) are provided below.

- 1 • **NB Power:** <https://www.nbpower.com/en/products-services/business/rates>.
- 2 • **Maritime Electric:** [https://www.maritimeelectric.com/about-us/regulatory/rates-and-](https://www.maritimeelectric.com/about-us/regulatory/rates-and-general-rules-and-regulations/)
- 3 [general-rules-and-regulations/](https://www.maritimeelectric.com/about-us/regulatory/rates-and-general-rules-and-regulations/).
- 4 • **Nova Scotia Power:** [https://www.nspower.ca/your-business/save-money-](https://www.nspower.ca/your-business/save-money-energy/business-rates)
- 5 [energy/business-rates](https://www.nspower.ca/your-business/save-money-energy/business-rates).