

1 Q. **Reference: Volume I, Section 6.7, pages 6.19 – 6.20; and Volume III, Exhibit 17, Section 4**

2 a) Provide, by customer and by month, the number of months with zero Block 2 usage
3 under boundaries of 200, 300, and 400 hours of use.

4 b) Explain the criteria by which 300 hours was selected over the alternatives analyzed,
5 including the treatment of the two customers with load factors of approximately 45%
6 who fail to reach Block 2 in a material number of months.

7 c) State whether a seasonally differentiated boundary was considered, given the evidence
8 that the lowest-load-factor customer reaches Block 2 in winter months but not in
9 several non-winter months.

10 d) Describe the process and criteria by which the boundary would be reviewed and
11 adjusted in future proceedings.

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14 A. *This response was provided by Christensen Associates Energy Consulting.*

15 a) Please see the table below. Customers are identified by number only, as in the public
16 version of the report, in the same order as the tables in the report.

	200 HOU						300 HOU						400 HOU					
Customer	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6
January															1		1	
February															1			
March															1			
April															1			
May									1						1			
June			1						1						1			
July			1						1						1			
August			1						1						1			
Sept.			1						1						1			
October			1						1						1			
November									1	1				1	1	1		
December															1			
Total	0	0	5	0	0	0	0	0	7	1	0	0	0	1	12	1	1	0

b) As mentioned in the report, Section 4.4 (pp. 18-20), the 300 Hours of Use (“HOU”) boundary was chosen to make block 2 available to most customers in most months while resulting in moderate bill impacts. Reducing the boundary to 200 HOU is possible. It increases the block 1 price somewhat and offers the customer with the fewest months in block 2 an extra two months of exposure. However, that customer’s bill impacts change from a reduction of 4.2% to an increase of 0.4%. Another consideration is that the block 2 price is variable with changing marginal costs. Moving a larger share of load into block 2 slightly increases customer exposure to bill variation, which customers may not prefer.

c) Newfoundland and Labrador Hydro (“Hydro”) considered customer-specific boundaries but judged them to be problematic due to their incentives issue. Hydro did not consider seasonal blocks, although this option is possible. The Utility rate does this to some degree, making the block boundary seasonal for Newfoundland Power.

d) Hydro does not intend to revise the block boundary between general rate applications. Hydro has not specified a process or set of criteria that would trigger boundary review during a rate application but would consider a block boundary modification if mutually beneficial. This is in line with standard rate design theory and practice. The utility will monitor customer load factors and consumption levels to evaluate the proposed rate’s

1 functioning and would collaborate with its customers in revising the block boundary and the
2 related pricing of demand and block 1 energy in the event of significant departure from
3 current load factors.