

1 Q. **Reference: Volume I, Section 6.7; Volume II, Exhibit 4, Table 1; and Volume III, Exhibit 17**

2 Island Industrial load has declined 17.5% since the 2019 Test Year.

3 a) Describe any assessment Hydro performed of load retention, bypass, self-generation, or
4 curtailment risk among Island Industrial customers under the proposed structure.

5 b) Summarize consultations with Island Industrial customers on the HOU design and the
6 positions expressed.

7 c) Discuss the revenue recovery consequences for remaining customers if a large Industrial
8 customer materially reduces load or departs, given the largely fixed Block 1 structure.

9 d) Are there cost recovery clauses upon departure within the service agreements that are
10 impacted by the reduced demand charge?

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13 A. a) Newfoundland and Labrador Hydro ("Hydro") has not performed a separate assessment of
14 load retention, bypass, self-generation, or curtailment risk among Island Industrial
15 customers in relation to the proposed structure. Hydro continues to monitor Industrial
16 customer load requirements through its normal customer engagement, forecasting, and
17 planning processes.

18 b) Hydro and Hydro's Consultant, Christensen Associates Energy Consulting ("CA Energy"), met
19 with the Island Industrial customers on the Hours of Use ("HOU") rate design on
20 April 16, 2026. CA Energy gave a presentation on the HOU rate design, how it works, and the
21 potential benefits of adopting the rate design.

22 There were no firm positions presented by the Island Industrial customers supporting or
23 opposing adoption of the rate design at the time. Hydro indicated it would be willing to
24 answer any questions during and subsequent to the presentation

1 c) If a large Island Industrial customer materially reduces load or departs, the largely fixed
2 Block 1 structure would not impact the revenue recovery for remaining customers.

3 The existing rate structure consists of a demand charge and a single embedded energy rate.
4 If a large customer leaves, Hydro is at risk for the demand revenue since it is not included in
5 the Supply Cost Variance Deferral Account ("SCVDA") or the proposed Long-Term SCVDA.
6 The load variation component is valued at the energy rate and would be allocated to the
7 customer classes based upon the approved methodology. As load is reduced, more energy is
8 available for Hydro to monetize and is recorded in the Net Revenue from Exports in the
9 SCVDA, which will offset the impact to customers of the load variation. The impact will
10 depend on the difference between the embedded energy rate and the realized unit value of
11 exports.

12 The proposed rate structure consists of a lower demand charge but a higher Block 1 energy
13 charge to recover demand costs not recovered in the demand rate. Hydro is still at risk for
14 the loss of demand revenue, as mentioned previously, and the load variation is valued at the
15 Block 2 seasonal energy prices. The Block 1 energy charge is not used to normalize sales in
16 the SCVDA or the proposed Long-Term SCVDA. As load is reduced, more energy is available
17 to monetize through export and, under the proposed rate structure, since the Block 2 price
18 is based on the opportunity cost of exports, the impact should be offset in the Net Revenue
19 from Exports component of the Long-Term SCVDA, assuming forecast and actual prices are
20 equal. Hydro is still at risk for the demand revenue recovered in the demand rate and some
21 of the fixed costs recovered in Block 1.

22 In the event of the loss of a large customer, given demand costs are not normalized, Hydro
23 would have to consider an application for deferral and recovery of the lost revenue in the
24 absence of a new customer to offset the impact between test years.

25 d) Yes. Hydro's Industrial customer service agreements typically include a liquidated damages
26 provision that applies if the customer voluntarily or forcibly abandons its operations,
27 commits an act of bankruptcy, or liquidates its assets. Under a typical service agreement
28 with an Island Industrial customer, the amount payable includes a lump sum equal to 0.85 of
29 the customer's then-current Billing Demand for Firm Power, at the Firm Power Demand

1 rate, multiplied by 24, plus amounts related to Specifically Assigned Plant. Therefore, the
2 demand-related component of the liquidated damages calculation would be impacted by
3 the reduced demand charge. Contract wording may vary slightly between individual
4 Industrial customer service agreements.