

1 Q. **Reference: Chapter 6, Sections 6.2, 6.3, 6.6 and 6.7; Exhibits 14 to 17**

2 Hydro proposes cost-of-service methodologies that affect the demand and energy classification
3 of supply costs. Hydro also proposes an Island Industrial rate design that reduces the demand
4 charge and introduces marginal-cost-based Second Block Energy rates.

5 a) Explain whether Hydro evaluated the combined effect of: i) all proposed changes to the demand
6 and energy classification of system costs; ii) the relative demand and energy allocation factors of
7 Newfoundland Power and Island Industrial customers; iii) the reduction in the Island Industrial
8 demand charge; iv) the recovery of demand-related costs through the Island Industrial First
9 Block Energy rate; and v) the pricing of Island Industrial Second Block Energy at forecast
10 marginal export value. If not, explain why.

11 b) Quantify the change in the 2027 Test Year revenue requirement allocated to Newfoundland
12 Power and Island Industrial customers resulting from each proposed change to the demand or
13 energy classification of costs, compared with the previously approved methodology.

14 c) Provide the applicable demand and energy allocation percentages for Newfoundland Power and
15 Island Industrial customers and explain how each proposed classification change affects the
16 relative allocation of costs between the two customer classes.

17 d) Provide the cumulative change in the revenue requirement allocated to Newfoundland Power
18 and Island Industrial customers resulting from all proposed classification changes.

19 e) Explain why greater emphasis on demand-related classification for cost-allocation purposes is
20 appropriate at the same time Hydro proposes: i) reducing the Island Industrial demand charge
21 from \$10.73 to \$5.50 per kW per month; and ii) recovering most Island Industrial demand-
22 related costs through the First Block Energy rate.

23 f) Explain whether the combined cost-allocation and rate-design proposals are expected to
24 increase, decrease or have no effect on the contribution made by Island Industrial customers
25 toward recovery of Hydro's embedded fixed system costs, relative to the previously approved
26 methodologies and rate structure.

27 g) Quantify the change in the amount of embedded fixed system costs recovered from: i)
28 Newfoundland Power; and ii) Island Industrial customers, under the proposed cost-allocation

1 methodologies and rate designs, compared with the previously approved methodologies and
2 rate structures.

- 3 **h)** Explain whether Hydro assessed the combined effect of the proposals on rates ultimately paid
4 by Newfoundland Power's residential customers and provide the results of any such
5 assessment. If not, explain why.

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8 A. For parts a), b), c), d) and g), please refer to Newfoundland and Labrador Hydro's ("Hydro")
9 response to CA-NLH-109 of this proceeding.

- 10 **e)** It's Hydro's opinion that these are two separate issues: the allocation of costs for recovery
11 from customers versus the method of charging customers to recover those costs. The
12 allocation of costs impacts the amount to be recovered, whereas the rate design only
13 impacts the rate component recovering that cost based on the test year revenue
14 requirement.

- 15 **f)** Please refer to part e) and Hydro's response to CA-NLH-109 of this proceeding that
16 addresses both parts of this question.

- 17 **h)** The rates ultimately paid by Newfoundland Power Inc.'s residential customers will not
18 change, up to and including 2030, as a result of any proposals in the current application due
19 to the rate mitigation plan.