

1 Q. **Reference: Application, Chapter 6 – Rates and Regulations**

2 Regarding the proposed reduction in the Second Block Energy Rate for Newfoundland Power by
3 7.6%, from 9.698 cents to 8.958 cents per KW/month:

4 **a)** In light of Hydro's continued reliance on Holyrood TGS to meet high demand during the
5 winter months, should not the second block energy rate also include consideration of
6 marginal capacity cost?

7 **b)** Would a higher winter block rate provide a stronger incentive for Newfoundland Power to
8 maximize its use of its hydro plants during the winter months?

9 **c)** In a report for Hydro, Christensen Associates Energy Consultants presented estimates of
10 Hydro's monthly all-in marginal cost, i.e., marginal cost of energy plus operating reserves
11 and capacity cost associated with generation and transmission services (see Hydro's
12 September 16, 2024 Application for Adjustment to Wholesale Utility Rate, Schedule 1,
13 Attachment 1, Table 6). Provide the 2027 forecast for these all-in-marginal costs.

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16 A. **a)** The proposed rates for Newfoundland Power Inc. ("Newfoundland Power") include a
17 seasonal Block 2 rate of 8.958¢ in the Winter months and 3.480¢ in Non-Winter months.
18 The increased energy rate in the Winter, along with the demand rate, should provide an
19 incentive to manage load in those months, to the degree it is within the utility's control.

20 **b)** Please refer to response to part a).

21 **c)** Table 1 presents Newfoundland and Labrador Hydro's ("Hydro") estimates of marginal cost
22 using the costs of energy stated on an all-in basis and thus inclusive of marginal energy costs
23 (export prices) plus operating reserves,¹ and capacity costs associated with generation and
24 transmission services. These results are based on Hydro's August 2025 projections of export

¹ Export prices and estimates of operating reserves are inclusive of transmission path charges.

1 prices at the Salisbury hub for 2027 and Newfoundland Power loads for 2022, 2023, and
2 2024.

Table 1: Marginal Costs of Energy/Reserve and Generation and Transmission Capacity, Monthly (\$CAD/MWh)

Load Year	2022	2023	2024
Jan	319.88	314.92	317.82
Feb	237.40	240.35	241.12
Mar	105.77	105.59	107.64
Apr	37.67	37.76	38.46
May	24.14	23.92	23.89
Jun	28.54	28.86	28.98
Jul	51.57	51.73	51.78
Aug	45.25	45.11	45.41
Sep	29.16	29.09	29.29
Oct	30.06	30.78	31.00
Nov	59.36	58.06	57.57
Dec	210.74	205.43	204.90
Weighted Average	97.80	97.11	97.63