

1 Q. **Reference: Application, Chapter 6, page 6.20**

2 Hydro states *"Hydro is proposing to maintain a demand charge of \$5.50 per kW per month,*
3 *equivalent to that proposed for Newfoundland Power. The proposed demand rate will recover*
4 *approximately 31% of the embedded demand costs from Island Industrial customers and 27%*
5 *from Newfoundland Power, with the remainder recovered in the first block rates."*

6 a) Why is Hydro recommending demand charges that recover less than 32% of embedded
7 demand costs when there is a capacity shortfall forecast on the IIS?

8 b) Provide a comparison of the proposed demand charges to the marginal cost of capacity.

9 c) Are the proposed rates for Island Industrial Customers revenue neutral from an
10 individual customer perspective or a class perspective?

11 d) Provide a proof that the proposed Island Industrial Customer rates are revenue neutral.
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14 A. *Responses to parts a), c) and d) were provided by Christensen Associates Energy Consulting*
15 *("CA Energy").*

16 a) Please refer to CA Energy's response to part a) of CA-NLH-170 of this proceeding.

17 b) Below is a comparison of the proposed demand charges to the 2027 marginal cost of
18 capacity.¹

19 Table 1 shows the comparison of Industrial proposed demand charge and the 2027
20 forecasted marginal costs of capacity.

¹ The 2027 marginal cost forecast represents the most recent marginal cost estimate prepared by Newfoundland and Labrador Hydro ("Hydro"), based on calculations completed in December 2025. Hydro's marginal capacity costs include both generation and transmission costs.

Table 1: Proposed Demand Charge vs 2027 Marginal Cost of Capacity (\$)

	Proposed Demand Charge	December 2025 Marginal Cost of Capacity
Per kW per month	5.50	21.50

- 1 **c)** The proposed rates are revenue neutral from a class perspective. However, the evaluations
2 of the resulting bills for the customers yielded small bill differences relative to the current
3 rate and to estimates of individual customers’ cost to serve. Exhibit 17, Table 10 presents
4 revenue/cost ratios for all customers (and the class) under both rates, which demonstrate
5 that the rates are revenue neutral to each other and that they fully recover costs. Exhibit 17,
6 Table 9 shows that the total bill impact for the class is zero and the customers’ annual bill
7 impacts of the introduction of the Hours of Use design range from -4.2% to +1.8%.
- 8 **d)** Please refer to CA Energy’s response to part c).