

1 Q. **Reference: Exhibit 17, page 1**

2 Hydro states "Hydro is proposing to replace this structure with an "hours of use" (HOU) rate
3 design whose purpose is to reflect the changing costs to Hydro of providing generation and
4 transmission services. In the utility's view, an HOU design is an appropriate way both to recover
5 required revenues and to inform customers about the marginal cost to serve new load (which is
6 also the marginal savings from reducing it)." It goes on to say (page 1) "Hydro asked Christensen
7 Associates Energy Consulting to investigate aspects of the new design in order to facilitate
8 decision making regarding a final rate structure for external review, and to develop initial prices
9 based on forecasted revenue requirements and marginal costs."

10 a) Did Hydro and the Island Industrial Customers agree to an hours of use rate design prior
11 to the submission of the 2026 GRA?

12 b) Had Hydro committed to an hours of use rate design prior to retaining Christensen to
13 undertake this study? Was Christensen asked to review the merits of an hours of use
14 rate design versus other potential rate designs?

15 c) The report states "if this design gains approval". Specifically, whose approval?

16 d) Does Christensen believe that this rate design best meets the objectives of 1) recovery
17 of the revenue requirement, 2) fairness, and 3) efficiency?

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20 *Part d) response was provided by Christensen Associates Energy Consulting.*

21 A. a) Please refer to part b) of Newfoundland and Labrador Hydro's ("Hydro") response to
22 PUB-NLH-061 of this proceeding.

23 b) No, Hydro had not committed to an hours of use ("HOU") rate design prior to retaining
24 Christensen Associates Energy Consulting ("CA Energy") to undertake this study.

25 As noted in Hydro's 2026 General Rate Application ("GRA"), Hydro has previously examined
26 implementing changes to the existing Island Industrial rate structure. In 2019, Hydro filed its

1 Wholesale and Island Industrial Rate Design Review Update Report with the Board, which
2 outlined an energy-blocking rate structure for Island Industrial Customers in which the
3 marginal price was based on the market value of exports. Under that structure, customers
4 with higher load factors would have a greater proportion of their energy consumption billed
5 at the lower-priced Second Block Energy rate, while customers with lower load factors
6 would have a greater proportion of their energy consumption billed at the higher-priced
7 First Block Energy rate.

8 Subsequently, for purposes of the 2026 GRA, Hydro engaged CA Energy to further examine
9 an HOU rate design, including its operation, pricing, and implementation considerations,
10 and to develop initial prices based on forecast revenue requirements and marginal costs.
11 The purpose of the engagement was to support Hydro's evaluation of a proposed rate
12 design for Island Industrial customers and the development of a proposal for external
13 review.

- 14 **c)** The reference to “if this design gains approval” is on page 1 of CA Energy’s report in
15 Exhibit 17 and is referencing approval by the Board of Commissioners of Public Utilities.
- 16 **d)** CA Energy believes that the HOU rate design offers several advantages over the current
17 design.¹ Whether the HOU design “best meets” the three objectives is subjective. Hydro
18 expressed to CA Energy Consulting an interest in providing customers with some element of
19 marginal cost-based pricing, to improve price efficiency, and that provided manageable bill
20 impacts for customers and other familiar rate features, as set out in the Bonbright criteria
21 for successful rate design.² These include bill stability, revenue recovery, efficient pricing, bill
22 simplicity, and fairness, among others. Bonbright stresses that rate design balances
23 tradeoffs among these objectives. The HOU design readily meets these criteria, as evidenced
24 by its long service in North America.

¹ Please refer to Hydro’s response to CA-NLH-174 of this proceeding.

² Bonbright, J.C., A.L. Danielson, and D.R. Kamerschen, *Principles of Public Utility Rates*, pp. 382-384, c. 1988 Public Utility Reports, Inc.