

1 Q. **Reference: CA-NLH-178**

2 Is the hours-of-use rate design the standard for large electricity customers in the electricity
3 services industry? Which jurisdictions have replaced a rate design with an hours-of-use rate
4 design in the past 20 years?

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7 A. *This response was provided by Christensen Associates Energy Consulting.*

8 In response to IIC-NLH-001, part b), Newfoundland and Labrador Hydro ("Hydro") identified four
9 Canadian rates that use an Hours-of-Use ("HOU") design: one by NB Power, one by Maritime
10 Electric, and two by Nova Scotia Power. All four rates appear to have been in place for at least
11 20 years. Hydro is also aware of Georgia Power's Power and Light Schedules, which are an HOU-
12 type rate and appear to date back at least to the 1980s. Based on its review, Hydro is not aware
13 of a jurisdiction that has transitioned from a non-HOU rate design with an HOU rate design
14 within the past 20 years. However, Hydro has not conducted a comprehensive review of all rate
15 design changes across Canada and U.S. utilities and, therefore, cannot conclude that no such
16 examples exist.

17 With respect to whether HOU rates are the standard rate design for large electricity customers,
18 Hydro would not characterize them as the typical rate design. Large commercial and industrial
19 customers are typically served under rate structures that recover costs through a combination
20 of demand charges, which reflect a customer's contribution to system capacity requirements,
21 and energy charges, which recover costs associated with electricity consumption. HOU rates
22 represent a specialized form of rate design that integrates demand- and energy-related cost
23 recovery through a blocked energy rate structure, where the block threshold, when expressed in
24 terms of kWh, is customer-specific and determined by the customer's billed demand and
25 corresponding hours of use, or load factor. As a result, customers with higher utilization of their
26 billing demand receive a greater portion of service at the second block price. Based on Hydro's
27 review, HOU rates are less common than conventional demand-and-energy rate structures and

1 appear to be limited to a relatively small number of utilities. Nevertheless, the HOU design is
2 well-established and has a long-standing record of application among utilities that employ it. For
3 jurisdictions without a long history of time-of-use pricing, the HOU design provides an efficient
4 alternative.