

1 Q. **Reference: Request for Information PUB-NLH-048(b).**

2 Hydro states that prior to filing the 2026 General Rate Application, Hydro's Regulatory Affairs
3 team engaged with legal counsel representing the Island Industrial Customer Group regarding
4 proposed changes to the Island Industrial customer rate design. In addition, information
5 regarding the proposed changes to the Island Industrial Customer Rate Structure was shared
6 with Hydro's Island Industrial customers through Hydro's Key Accounts function.

7 a) Please provide the dates of each engagement with legal counsel for the IIC Group
8 referenced in the response to PUB-NLH-0048(b).

9 b) Please provide copies of the material that was shared with the Island Industrial
10 customers through Hydro's Key Accounts function, redacted as required to remove any
11 customer-specific information.

12 c) Please provide a summary, including dates and parties in attendance, of any other
13 engagement Hydro had with Island Industrial Customers with respect to the proposed
14 industrial rate prior to filing the General Rate Application.

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17 A. a) Members of Newfoundland and Labrador Hydro's ("Hydro") Regulatory Affairs team, along
18 with representatives of Christensen Associates Energy Consulting ("CA Energy"), met
19 virtually with legal counsel representing the Island Industrial Customer Group on
20 April 16, 2026. During that meeting, Hydro and CA Energy gave a presentation summarizing
21 the Hours-of-Use Rate Design that would be proposed in the upcoming General Rate
22 Application ("GRA"). A copy of the presentation was provided thereafter.

23 b) On May 29, 2026, Hydro's Key Accounts personnel shared the same presentation that had
24 been provided to the Island Industrial Customer Group's legal counsel. That presentation is
25 attached hereto as IIC-NLH-026, Attachment 1.

1 c) Aside from the interactions above, the only other engagement was Hydro's provision of a
2 copy of the CA Energy report¹ prepared in support of the rate design proposals in advance of
3 the GRA filing. As there was commercially sensitive customer information contained within
4 that report, Hydro provided a copy to the legal counsel for each of the Island Industrial
5 Customer Group customers with the information specific to their client unredacted. This
6 was to confirm with counsel whether the information was, in fact, commercially sensitive or
7 whether it could be released with the 2026 GRA filing unredacted. These emails occurred on
8 May 13, 2026 and May 14, 2026.

¹ "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. III, exh. 17.



Revising the Island Industrial Rate: The Proposed Hours-of-Use Design

April 16, 2026

Bruce Chapman
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Initial Customer Meeting

Agenda

- Issues with the current design
- The Hours-of-Use design
- Illustrative examples

The Current Island Industrial Rate

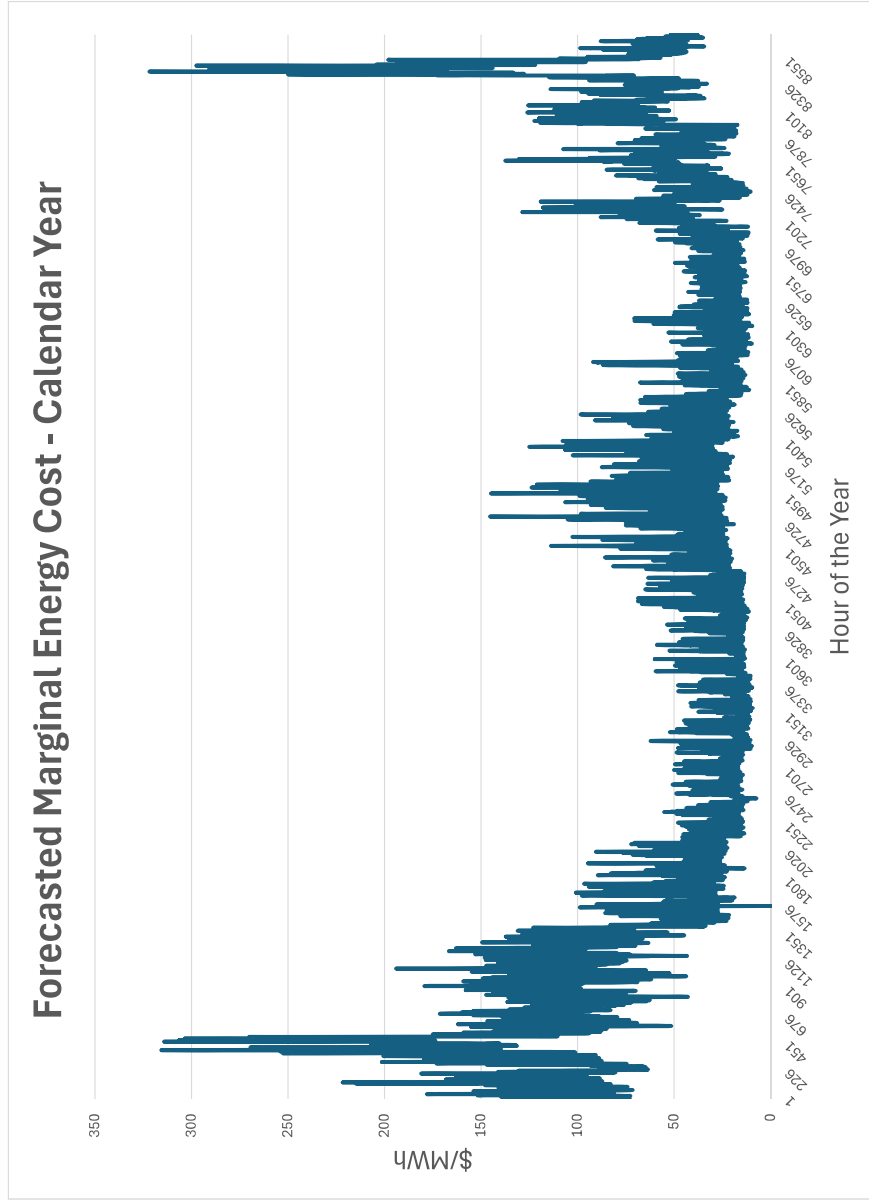
- Components:
 - Demand Charge: \$10.73 per kW of billed demand
 - Energy Charge: \$0.04428 per kWh of energy consumed
 - Riders: \$0.01751 per kWh
 - Non-firm energy prices for usage in excess of Power on Order (PO)
 - Specifically Assigned Charges for some customers
- Illustrative Customer Bill:
 - 10 MW PO, avg/peak usage = 75%
 - No non-firm energy, no specifically assigned charges

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand (MW)	10	\$ 10.73	\$ 107.3
Energy (MWh)	5,400	\$ 0.044	\$ 237.6
Total			\$ 344.9
Riders	5,400	\$ 0.018	\$ 94.6
Grand Total			\$ 439.5
Price per kWh			\$ 0.081
Customer Load Factor			75%

Challenges with the Current Design

- Hydro’s costs are increasingly seasonal. The rate’s prices aren’t seasonal.
 - Hydro has made the Utility rate supporting Newfoundland Power seasonal.
- Hydro’s generation costs now depend partly on values, and variation in values, in continental energy markets.
- Rates based on marginal cost (i.e., cost of the next kWh) should reflect wholesale market generation prices.
 - These are helpful for customer business decisions, both short- and long-term.
 - For Hydro, marginal cost is the “opportunity cost”, the value of the next best use of that kWh.

- Hydro's generation costs are seasonal:**
- December through March is relatively expensive
 - April through November is relatively inexpensive



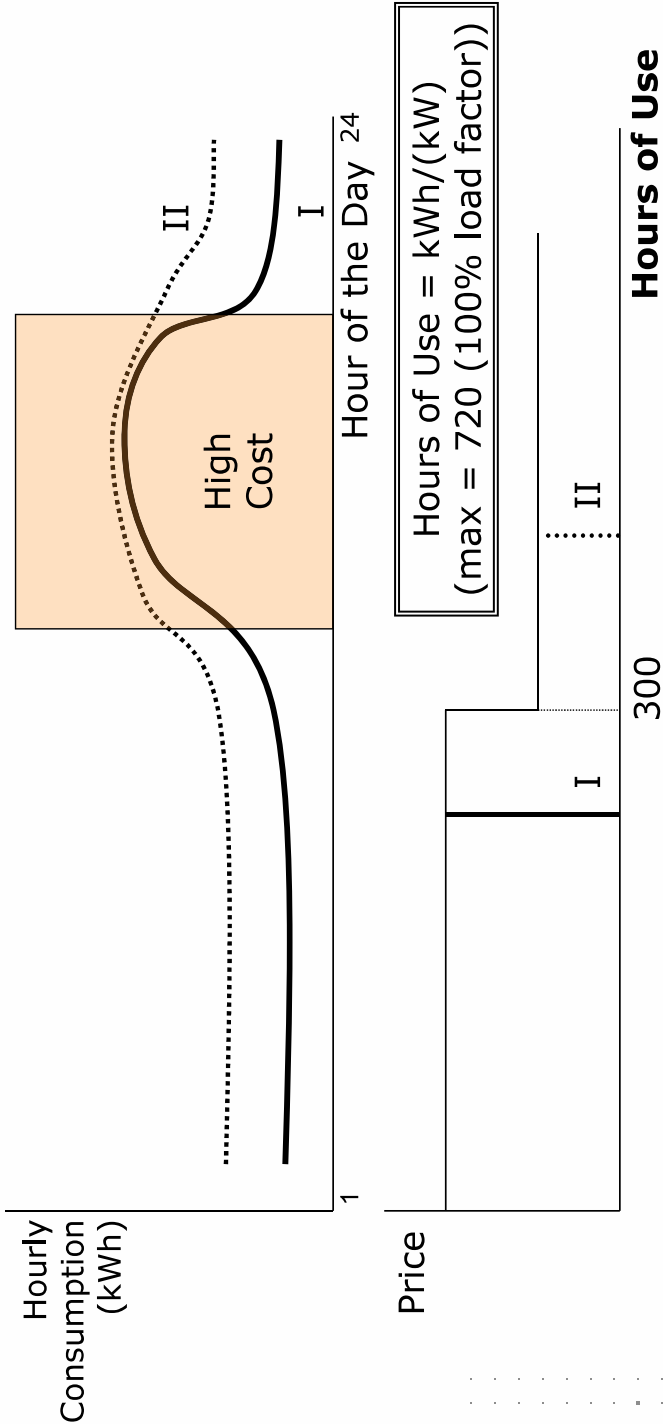
Strengths and Weaknesses of Current Design

- Strengths:
 - Simple, stable; well understood by customers and regulators.
 - Within traditional industry standards.
 - Supports non-firm power availability.
- Weaknesses:
 - Customers do not see seasonal variation in generation services prices unless buying non-firm power in excess of PO.
 - Missed opportunities to buy power when readily available and inexpensive.
 - Missed opportunities to reduce bills in response to high-priced periods.
 - Changes in usage produce changes in billings that do not match well with changes in utility costs.

The Hours-of-Use Design

- What is meant by “Hours-of-Use” (HOU)?
 - A 30-day month has 720 hours.
 - A customer with the same usage in each hour has 720 HOU.
 - A customer with the same usage in each hour that is half their peak usage has 360 HOU.
 - The formula: $\text{HOU} = \text{Monthly Usage/Peak Demand} = \text{kWh/kW}$
 - E.g.: $360,000 \text{ kWh}; 1,000 \text{ kW: HOU} = 360,000/1,000 = 360 \text{ HOU}$
- HOU offers a block design:
 - The first block recovers required revenue (= covers Hydro’s costs).
 - The second block offers energy at marginal cost (at forecasted cost to acquire).

Hours-of-Use Tariff Pricing



Illustrative Bills

Current

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand (MW)	10	\$ 10.73	\$ 107.3
Energy (MWh)	5,400	\$ 0.044	\$ 237.6
Total			\$ 344.9
Riders	5,400	\$ 0.018	\$ 94.6
Grand Total			\$ 439.5
Price per kWh			\$ 0.081
Customer Load Factor			75%

HOU

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand	10	\$ 10.73	\$ 107.3
Energy Block 1	3,000	\$ 0.039	\$ 117.6
Block 2	2,400	\$ 0.050	\$ 120.0
Total			\$ 344.9
Riders	5,400	\$ 0.018	\$ 94.6
Grand Total			\$ 439.5
Price per kWh			\$ 0.081
HOU Boundary		300	
Customer HOU		540	

Block 1 price is a residual to equate bill totals for the class to full cost coverage requirement.

Illustrative HOU Bills – Seasonal Comparison

HOU Winter (4 months)

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand	10	\$ 10.73	\$ 107.3
Energy Block 1	3,000	\$ 0.039	\$ 117.6
Block 2	2,400	\$ 0.090	\$ 216.0
Total			\$ 440.9
Riders	5,400	\$ 0.018	\$ 94.6
Grand Total			\$ 535.5
Price per kWh			\$ 0.099
HOU Boundary		300	
Customer HOU		540	

High block 2 price rewards load reduction.

HOU Non-Winter (8 months)

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand	10	\$ 10.73	\$ 107.3
Energy Block 1	3,000	\$ 0.039	\$ 117.6
Block 2	2,400	\$ 0.030	\$ 72.0
Total			\$ 296.9
Riders	5,400	\$ 0.018	\$ 94.6
Grand Total			\$ 391.5
Price per kWh			\$ 0.072
HOU Boundary		300	
Customer HOU		540	

Low block 2 price rewards load increase.

How Do I Make Use of an HOU Design?

- Control peak demand (billed demand and Power on Order).
 - Limit demand charge (as always).
 - Maximize share of energy in block 2 in non-winter months.
- Consider winter months for shut-down periods:
 - Reduce energy charges more than in non-winter months.

Industrial HOU Rate vs Utility Rate

- Hydro charges Newfoundland Power based on a “block” design:
 - The first block kWh are priced to recover costs.
 - The remaining kWh are priced at marginal cost.
- Current Utility rate pricing – seasonal energy:
 - Demand: \$5.00 per kW
 - Energy (\$/kWh):
 - Block 1: \$0.08515
 - Block 2, Winter: \$0.09698
 - Block 2, Non-Winter: \$0.03354
- The HOU Industrial rate provides a similar structure.

NL Hydro – Island Industrial Pricing Proposal

- Implement Hours-of-Use Design
- Demand price: \$5.50/kW
- Seasonal Energy second block price:
 - Winter: 8.88¢/kWh
 - Non-Winter: 3.27¢/kWh
- Pricing of demand and second block energy is similar to the Utility rate.
- First Block energy recovers residual costs:
 - Current price estimate: 8 to 9 ¢/kWh; depends on revenue requirement

Hypothetical Alternative Bills

Updated Current Design

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand (MW)	10	\$ 13.38	\$ 133.8
Energy (MWh)	5,400	\$ 0.05	\$ 296.2
Total			\$ 430.0
Riders	5,400	\$ 0.018	\$ 94.6
Grand Total			\$ 524.6
Price per kWh			\$ 0.097
Customer Load Factor			75%

HOU Design

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand	10	\$ 5.50	\$ 55.0
Energy Block 1	3,000	\$ 0.085	\$ 255.0
Block 2	2,400	\$ 0.050	\$ 120.0
Total			\$ 430.0
Riders	5,400	\$ 0.018	\$ 94.6
Grand Total			\$ 524.6
Price per kWh			\$ 0.097
HOU Boundary		300	
Customer HOU		540	

Summary of HOU Design

- Demand charge and block 1 energy charge are a customer-specific lump sum if Power on Order and billed demand remain fixed.
 - These cover Hydro's forecasted costs excluding forecasted marginal cost of block 2 energy.
- Block 2 offers energy at Hydro's "best price" – forecasted marginal generation cost.
- Seasonal energy pricing reflects Hydro's seasonal energy costs when the customer adds or reduces consumption.

Appendix: The Cost of Load Change (+600 kWh, 0 or +2 MW; non-winter pricing)

No change in PO

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand	10	\$ 10.73	\$ 107.3
Energy	3,000	\$ 0.039	\$ 117.6
Block 1			
Block 2	3,000	\$ 0.030	\$ 90.0
Total			\$ 314.9
Riders	6,000	\$ 0.018	\$ 105.1
Grand Total			\$ 420.0
Price per kWh			\$ 0.070
HOU Boundary		300	
Customer HOU		600	
Cost of change			\$ 0.048

Change in PO

	<u>Units</u>	<u>Price</u> (\$/kWh)	<u>Bill</u> (\$000)
Demand	12	\$ 10.73	\$ 128.8
Energy	3,600	\$ 0.039	\$ 141.1
Block 1			
Block 2	2,400	\$ 0.030	\$ 72.0
Total			\$ 341.9
Riders	6,000	\$ 0.018	\$ 105.1
Grand Total			\$ 446.9
Price per kWh			\$ 0.074
HOU Boundary		300	
Customer HOU		500	
Cost of change			\$ 0.092

Adding to peak demand increases demand charge AND energy charge.