

1 Q. Please explain why Hydro considers it appropriate to use the energy price component of the  
2 Rate 2.4L (1.675 cents/kWh) which applies to large General Service customers on the Labrador  
3 Interconnected System as the minimum price for setting the non-firm rate for the Labrador  
4 Interconnected System and the Island Industrial customers. Are there other alternatives that  
5 Hydro considered?

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8 A. Newfoundland and Labrador Hydro ("Hydro") has proposed the same minimum price for setting  
9 the non-firm rate on both the Labrador Interconnected System and the Island Interconnected  
10 System to reflect that the market value of exports is expected to reflect the marginal energy  
11 cost for both systems. Hydro does not believe the minimum price for non-firm energy on the  
12 Labrador Interconnected System should be higher than the firm energy price on the Labrador  
13 Interconnected System.

14 In the past, on rare occasions, Hydro has observed forecast monthly market values being  
15 negative. Therefore, Hydro believes the use of a minimum price is appropriate to avoid the  
16 possibility of paying non-firm customers to purchase surplus energy. Hydro did consider the use  
17 of zero as the minimum price, similar to the BC Hydro<sup>1</sup> Freshet Rate; however, given the value  
18 provided to customers that purchase non-firm energy and the fact that Hydro could decide not  
19 to export energy for a negative market price, Hydro did not believe zero was a reasonable  
20 minimum price.

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<sup>1</sup> The British Columbia Hydro and Power Authority ("BC Hydro").