

1 **Q. Reference: Application, Schedule 1, page 9.**

2 On page 9 of Schedule 1 to the Application, Hydro states:

3 “While the non-firm customers will not pay explicitly for the use of the common  
4 transmission facilities system through customer rates, they will be subject to the  
5 pricing variability in the energy markets and may at times pay charges for non-  
6 firm energy in excess of the published firm energy rates.”

7 Please clarify Hydro’s position regarding price variability and recovery of costs associated with  
8 the common assets being used by non-firm customers. For example, would Hydro consider  
9 including some charge in its non-firm pricing for the use of common transmission assets if  
10 market energy rates were equal or below the published firm energy rates?

11

12

13 **A.** Please refer to Newfoundland and Labrador Hydro’s (“Hydro”) response to LAB-NLH-002 and  
14 PUB-NLH-006 of this proceeding with respect to Hydro’s position regarding price variability and  
15 whether there should be explicit recovery of costs associated with the common assets being  
16 used by non-firm customers.

17 Hydro would not consider it reasonable to establish the published firm rate paid by large  
18 General Service customers as a floor in pricing for non-firm service (i.e., demand charges and  
19 energy charges) as the non-firm customers would be accepting a lower standard of service than  
20 the firm customers. However, due to the very low energy charges paid by customers on the  
21 Labrador Interconnected System, Hydro would not consider it unreasonable to ensure the non-  
22 firm energy charge is not priced lower than the firm energy charge for large General Service  
23 customers on the Labrador Interconnected System. This approach would also ensure the market  
24 based rate could not go below zero.