

1 Q. Please indicate why Hydro did not consider including in the winter marginal price signal an  
2 adder for the marginal cost of capacity, particularly in light of the imminent and costly  
3 investments needed to increase winter peak capacity output as discussed in the concurrent  
4 RRAS process.

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7 A. Newfoundland and Labrador Hydro (“Hydro”) planned to review and update all components of  
8 its wholesale rate, including the first and second block energy charge and the billing demand  
9 charge, in its next general rate application (“GRA”). However, as part of Newfoundland Power  
10 Inc’s (“Newfoundland Power”), 2025–2026 GRA proceeding, Hydro agreed to file an application  
11 to more accurately reflect the current marginal cost of energy underlying the second block  
12 energy charge in its wholesale rate, with a proposed effective date of January 1, 2025. Updating  
13 this component of the wholesale rate in advance of Hydro’s next GRA creates a benefit for  
14 customers, as described in Hydro’s Application for Adjustment to Wholesale Utility Rate.

15 The demand rates are currently calculated based on embedded costs<sup>1</sup> and any changes to the  
16 methodology should, and will, be addressed in the GRA when the impact of the Muskrat Falls  
17 Project costs and rate mitigation are reflected in the updated Cost of Service Study.

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<sup>1</sup> The demand rate for Newfoundland Power is calculated based on the embedded cost in the Cost of Service Study. The actual rate charged has been negotiated considering the marginal cost of capacity in relation to embedded costs.