

# **Newfoundland & Labrador Hydro**

## **2003 General Rate Application**

### **Towns of Labrador City and Wabush Responses to Hydro Information Requests**

#### **Request**

NLH-237 LC

To what extent would Mr. Drazen agree or disagree with the fact that since Hydro does not own the transmission line in Labrador West, the cost of transmitting electricity to consumers is reduced and that this is effectively the same effect as that which occurs in any electric system by virtue of the fact that as some customers are closer to the generator, they technically have a lower cost of service? Does Mr. Drazen believe that rates for domestic and general service customers that differentiate costs as a function of distance from the generator are appropriate for any of Hydro's systems? Explain.

#### **Response**

Yes, the cost to Hydro of transmitting power to customers in Labrador West is reduced because it does not own the line. "Distance from the generator" is a consideration in determining cost of service in the sense that customers served at low voltage are, electrically speaking, further away from the generator bus than customers served at high voltage. Service at lower voltages requires more facilities and entails higher losses. Such voltage differences are recognized in cost of service studies, including Hydro's. On the other hand, geographic "distance from the generator" is in most cases not considered to be a factor. Although a particular customer may be located close to one generating plant, the nature of most systems is such that other generating plants also provide power to that customer (e.g., when the nearby generator is out of service), so the transmission lines connecting those plants must also be considered as providing service. There are specific cases where this does not apply. An example is that use of "Duplication Avoidance Tariffs" in Alberta, under which a customer with generation and load in close proximity can make use of local transmission facilities for a relatively low charge, with the understanding that if the customer's generation experiences an outage, the customer's load will be reduced.