Q. **Preamble:** IOC seeks to understand the rates and methodology used to determine the transmission losses applicable to IOC's rates and invoices.

Also, RFI IOC-NLH-019 was misinterpreted by NLH. In this RFI, "said transmission loss factor" referred not to the illustration of the Island loss factor, but to the transmission loss factor of the previous RFI. IOC therefore restates its RFI.

References:
(i) IOC-NLH-001, page 2, line 11 and footnote 1
(ii) IOC-NLH-006, page 2, lines 14-15
(iii) IOC-NLH-018, page 1, lines 20-22
(iv) IOC-NLH-019

(A) Please provide the detail of the different costs recovered by NLH through the 0.42 ¢/kW-month generation demand rate.

(B) If the calculation of the generation demand rate includes transmission losses, please state the rate and source of its rate. Does NLH apply the same rate determine the availability of the Development block, the Recapture Energy and the transmission rate? If the transmission losses used for the determination of the Labrador transmission rate differ, please explain.

(C) Please provide the detailed calculation, including assumptions of the transmission loss factor applicable to Labrador Transmission Rate Customers. Please indicate if the calculation and methodology has been presented to the

Board by NLH? If so, please provide the reference to the relevant filings. Include information in a format similar to Table 1 of IOC-NLH-019.

A. (A) The Generation Cost Recovery amount is based on the allocation of generation demand costs (i.e., standby generation costs) that are allocated to Labrador Industrial customers. This includes costs related to gas turbine and diesel generation on the Labrador Interconnected System.

The approved Test Year Generation Cost Recovery costs based on the approved Test Year Cost of Service Study are recovered from Labrador Industrial customers though a demand charge included in the non-regulated Labrador Industrial rate which is updated January 1st of each year. The Generation Cost Recovery amount has been divided by the Power on Order for the Labrador Industrial Class to determine the non-regulated generation demand rate.

Table 1 provides a summary of the generation demand costs allocated to the Labrador Industrial Customers in Hydro's 2013 GRA compliance filing (which was used to determine the $0.42 per kW non-regulated generation demand rate).

Table 1 Generation Demand Costs Allocated to Labrador Industrial Customers

Operating & Maintenance	588,931
Fuels-Diesel	47,222
Fuels-Gas Turbine	126,293
Depreciation	242,008
Other	(1,116)
Allocation of Return on Debt	255,661
Allocation of Return on Equity	96,307
Total Generation Demand Cost Allocated to Labrador Industrial	**1,355,306**

(B) The Generation Cost Recovery amount is not impacted by transmission losses. Please refer to Hydro's response to a) for the derivation of the non-regulated generation demand rate.

(C) Hydro's response to IOC-NLH-019 accurately addresses the question that was submitted. IOC-NLH-019 requested the support for the energy loss factor used in computing the non-firm energy rate for Island industrial customers. This energy loss factor is computed based on a historical 5-year average.

The approach to calculating Test Year demand losses applicable in determining the proposed transmission demand rate was provided in Hydro's response to IOC-NLH-018. The calculation of transmission demand losses for the Labrador Interconnected System is consistent with past practice. The demand losses used in the cost of service studies for the Labrador Interconnected System are 7.81% for the 2018 Test Year and 7.69% for the 2019 Test Year.