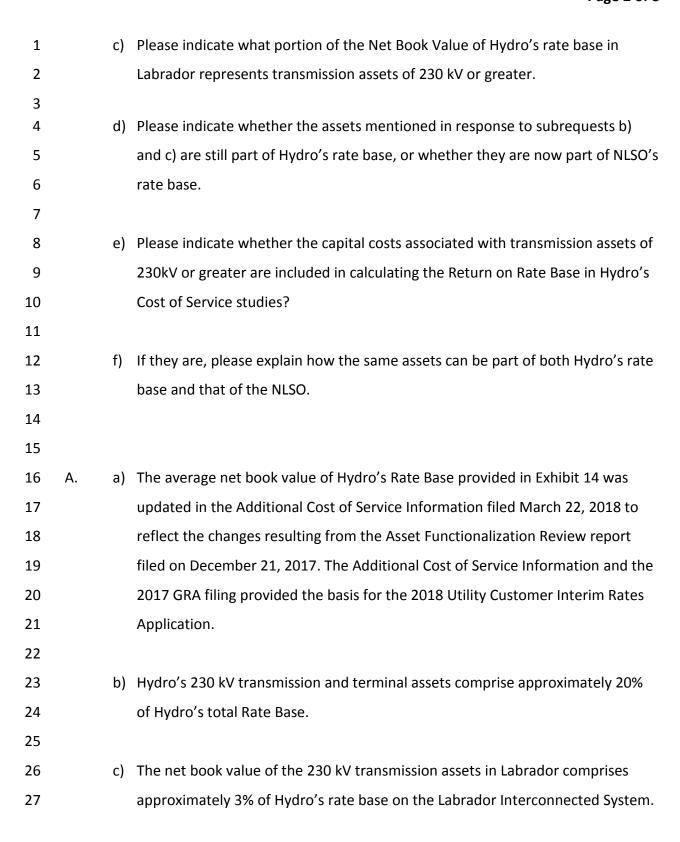
1	Q.	Re	ference: 2018 Utility Customer Interim Rates Application; LAB-NLH-085, rev. 1
2		(pa	age 4 of 4)
3			
4		Cit	ation:
5			Q. f): Please indicate where in the Additional Cost of Service Information for the
6			Deferral Account Scenario and/or the Expected Supply Scenario the amounts to
7			be paid to NLSO for Network Integration Transmission Service are found or, if
8			they are not included therein, why not.
9			
10			A. f) The 230 kV transmission asset costs reflected in the approved transmission
11			tariffs reflect a subset of the total costs provided in Hydro's Test Year revenue
12			requirements in its GRA.
13			
14		Pre	eamble:
15			Schedule 1.1, page 2 of 2 of the Cost of Service study indicates the Average Net
16			Book Value of Hydro's Rate Base (row 1, column 2), at 2,068,791, 061 for 2018.
17			
18			Schedule 1.1, page 2 of 2 of the Cost of Service study indicates the Average Net
19			Book Value of Hydro's Rate Base for the Labrador Interconnected System (row
20			1, column 7), at \$115,413,976 for 2018.
21			
22		a)	Has the evaluation of Average Net Book Value of Hydro's Rate Base in Schedule
23			1.1 of Exhibits 14 and 15 been updated in the Utility Customer Interim Rate
24			Application? If it has, please indicate where. If not, why not?
25			
26		b)	Please indicate what portion of the Net Book Value of Hydro's rate base
27			represents transmission assets of 230 kV or greater.



1 d & f) The 230 kV transmission asset costs included in the approved transmission 2 tariffs reflect a subset of the total transmission asset net book values included in Hydro's rate base. While the asset costs included in determining 3 the transmission tariffs are under the operational control of the 4 5 Newfoundland and Labrador System Operator (NLSO), the NLSO does not own the transmission assets.<sup>1</sup> 6 7 8 Through the application of the approved transmission tariffs, the NLSO 9 recovers the cost of Hydro's common 230 kV transmission assets from transmission customers that are subject to the open access transmission 10 11 tariff (including Hydro). While Hydro is required to pay the Network Services 12 rate, Hydro will be reimbursed its Network Service rate charges through the 13 disbursement of Network Service rate revenues from the NLSO. Please refer 14 to Hydro's response to LAB-NLH-085. 15 16 If the NLSO point-to-point transmission tariffs results in additional revenues 17 from third parties flowing over the NL transmission system, the additional 18 revenues will flow to the transmission owners that incur costs related to the 19 230 kV common transmission assets. In establishing the process for final 20 transmission tariffs, the Board has jurisdiction to deal with the process to 21 determine how these additional revenues impact Native Load customers. 22 23 e) The capital costs associated with Hydro's 230 kV transmission assets are 24 included in calculating the Return on Rate Base in Hydro's Test Year Cost of

<sup>1</sup> The NLSO also manages transmission at voltages lower than 230 kV (such as in Labrador East) as well as carrying out generation dispatch for Hydro.

Service studies using the methodology approved by the Board.

25