

1 Q. **Reference: Labrador Expansion Study, p. 33 (p. 41 pdf)**

2 Citation:

3

4 As evident from Section 7, the connection of a large customer can trigger the
5 need for significant capital upgrades on the LIS. Consequently, there must be a
6 mechanism in place to allocate any costs or benefits to the customer(s)
7 advancing the need of a major capacity upgrade.

8

9 a) Please confirm that the need for significant capital upgrades on the LIS can also be
10 triggered by the connection of one or more small or mid-sized customers;

11

12 b) Please confirm that, given the lumpiness of the transmission system, it is possible that
13 the capital upgrades on the LIS that would be triggered by the connection of one or
14 more small or mid-sized customers might vastly exceed the additional transmission
15 capacity required by those customers;

16

17 c) Is it Hydro's view that if, in such a situation, the prohibitive nature of the capital
18 upgrade cost flowing from the « beneficiary pays » approach prevents the potential
19 customer(s) from taking service, that would be a sign that the system is working
20 properly? If not, what is the desired outcome in such a situation?

21

22

23 A. a) It is confirmed that the need for significant capital upgrades on the Labrador
24 Interconnected System can be triggered by the connection of one or more small or mid-
25 sized customers.

26

27 b) It is confirmed that it is possible a capital upgrade on the Labrador Interconnected
28 System which would be triggered by the connection of one or more small or mid-sized
29 customers might vastly exceed the additional transmission capacity required by those
30 customers.

1 c) It is Newfoundland and Labrador Hydro's ("Hydro") view that the requirement for
2 contributions from small to medium sized customers (i.e., less than 1500 kW), which would
3 be calculated based on the use of the Expansion Cost per kW, is unlikely to prevent
4 potential customers from taking service.

5

6 For larger customers requesting service where the acceleration of the Transmission
7 Expansion Plan is necessary, Hydro will determine the Expansion Advancement Cost. This
8 amount will reflect the difference between the cost of acceleration of the Transmission
9 Expansion Plan and the value of the acceleration of the Transmission Expansion Plan to
10 existing customers. For Industrial Customer applicants, Hydro has also proposed a revenue-
11 based investment credit. Hydro believes its provision of a Demand Revenue Credit to
12 Labrador Industrial Customers is supported by future cost recovery from the additional
13 demand revenue from Industrial Customers and is consistent with the requirement of the
14 *Electrical Power Control Act 1994* SNL 1994, Chapter E-5.1 that the rates to be charged
15 should promote the development of industrial activity in Labrador.

16

17 It is Hydro's view that the proposed contribution approach provides a reasonable balance
18 in the sharing of the cost responsibility between the customers requesting service and the
19 existing customers (i.e., through the provision of rate stability).