

1 Q. Reference page 7, lines 1-4, Labrador Interconnected System Network Additions Policy -  
2 Summary Report.

3

4 How was the value limit of 50% determined?

5

6

7 A. Across North America, cost allocation methods coming into practice (e.g., beneficiary pays)  
8 are not prescriptive as to sharing rules, but rather based on rules of thumb or, in other  
9 words, practicality of application.<sup>1</sup> The value limit identified by Newfoundland and Labrador  
10 Hydro was based on a fairness assessment, recognizing that while the new transmission  
11 investment will benefit existing customers, service to existing customers can continue  
12 without the investment. The 50% value limit ensures existing customers do not pay more  
13 than 50% of the cost of a new transmission asset when the new transmission asset is  
14 prompted by the requirement to serve a new large customer load. Therefore,  
15 Newfoundland and Labrador Hydro considers it reasonable that existing customers should  
16 not pay more than half the cost of the additional investment through higher customer  
17 rates.

---

<sup>1</sup> "Network Additions Policy Review," Newfoundland and Labrador Hydro, App. A, Sec. 4 (October 1, 2018).