

1 Q. **Reference: 2018 Cost of Service Methodology Review Report dated November 15, 2018**

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3 On page 14 (lines 24 to 25) it is stated “*Hydro recommends that all functionalized*
4 *transmission costs be classified as 100% demand related. This is consistent with the*
5 *approach currently used in the cost of service study.*” Please confirm that Hydro has never
6 constructed a transmission line at a voltage level or with a conductor size greater than that
7 needed to supply increasing demand.

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10 A. Newfoundland and Labrador Hydro has constructed all transmission lines, regardless of
11 functionalization in cost of service studies, to meet forecast demand consistent with the
12 transmission planning criteria. Transmission lines connecting remotely located generation
13 to the main transmission system (functionalized as generation) are constructed to deliver
14 the total plant peak capacity. Transmission lines connecting industrial customers to the
15 main transmission system (functionalized as transmission and specifically assigned to the
16 customer) are constructed to deliver the forecast demand of the customer over the life of
17 the facility. Transmission lines within the main transmission system (functionalized as
18 common transmission) are constructed to meet the system forecast demand with due
19 consideration to the transmission planning criteria.

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21 Although energy losses are included in the life cycle economic evaluation of the
22 transmission line to be constructed, the forecast demand is the primary driver on
23 transmission line construction.