

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

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3 Table 3 (page 38) of the CA Energy Consulting Report shows classification and allocation
4 methods used for transmission facilities in various Canadian jurisdictions. In Hydro's
5 opinion does the table show that it is common to treat interconnections differently than
6 customer connections and network facilities? Does Hydro believe that the LIL, LTA and
7 Maritime link should likewise be treated differently than network facilities? Please explain.

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10 A. Table 3 (p. 38) of the Christensen Associates Energy Consulting ("CA Energy") Report, while
11 not complete, does indicate that a number of the jurisdictions treat their interconnections
12 the same as their internal transmission systems or networks. Therefore, it cannot be said
13 that it is "common" to treat internal transmission systems and interconnections differently,
14 but rather there are two approaches to treating transmission interconnections, with each
15 being used in Canada.

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17 Newfoundland and Labrador Hydro ("Hydro") accepts that Manitoba Hydro and Hydro-
18 Québec both treat their interconnections differently than their internal main Alternating
19 Current transmission systems or networks. However, it is worth noting that:

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21 • British Columbia has transmission line interconnections with Alberta and the
22 United States;

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24 • Alberta has transmission line interconnections with British Columbia,
25 Saskatchewan, and Montana;

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27 • Saskatchewan has transmission interconnections with Montana, Alberta, and
28 Manitoba;

- 1 • Ontario has transmission interconnections with Québec, Manitoba, Minnesota,
2 Michigan, and New York;
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- 4 • New Brunswick has transmission interconnections with Québec, Nova Scotia, and
5 Maine; and
- 6
- 7 • Nova Scotia has transmission interconnections with New Brunswick and
8 Newfoundland and Labrador.
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10 Hydro believes that it is not necessary to treat the Labrador Transmission Assets (“LTA”),
11 the Labrador-Island Link (“LIL”), and the Maritime Link differently than its main
12 transmission systems in Labrador and on the Island simply because the assets provide
13 interconnections to other systems. It is Hydro’s opinion that both the LTA and the LIL be
14 functionalized as hydraulic generation for the purposes of the Cost of Service Study,
15 consistent with the Board of Commissioners of Public Utilities, Proposed Cost of Service
16 Methodology, February 1993,¹ (“1993 Cost of Service Report”) recommendation, given that
17 the assets connect remotely located generation in Labrador to the Island Interconnected
18 System. This is further supported by the Christensen Associates Energy Consulting Report
19 recommendations at page 36 (lines 17 to 20) and page 37 (lines 1 and 2) which state:

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21 *The special purpose facilities which comprise the LTA should be assigned to the*
22 *generation function for the reasons discussed above—facilitation of efficient use of*
23 *hydro facilities along the Churchill River, including the Churchill Falls and Muskrat Falls*
24 *stations. We recommend that the LIL facility, including its converter facilities, be*
25 *functionalized as generation, in harmony with the formal cost designation of the facility*
26 *as providing service to the Island.*

¹ “A Referral By Newfoundland and Labrador Hydro for The Proposed Cost of Service Methodology and a Proposed Method for Adjusting its Rate Stabilization Plan to Take Into Account the Variation in Hydro’s Rural Revenues Resulting from Variations in the Rates Set by the Board to be Charged by Newfoundland Light & Power Co. Limited to its Customers,” Board of Commissioners of Public Utilities, February 1993.

- 1 With respect to the Maritime Link, it is owned by NSP Maritime Link Inc. and is not part of
- 2 Hydro's revenue requirement.