

1 Q. **On pages 23 and 24 of COS Methodology Review Report**, it is noted that “Hydro has also  
2 recommended that charges incurred by Hydro through the TFA and Muskrat Falls PPA be  
3 functionalized as generation. This includes the costs related to LIL, LTA and Muskrat Falls  
4 generation. If the costs of LIL or LTA are determined to be 100% functionalized as  
5 transmission, these costs become demand-related because functionalized transmission  
6 costs are treated as 100% demand-related. This approach would have similar impacts as  
7 those illustrated for the classification approach.” [underline added]

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9 Please provide detailed calculations that lead to the underlined statement by Hydro. Please  
10 provide revised Tables 7 and 8 [page 22 of the COS Methodology Review Report] assuming  
11 LIL and LTA costs as 100% transmission and 100% demand related.

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14 A. Table 1 shows the revenue requirement and unit cost for Newfoundland Power and  
15 Industrial Customers comparing:

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17 a. The Labrador-Island Link (“LIL”) and the Labrador Transmission Assets (“LTA”)  
18 functionalized as transmission and classified as 100% demand; with

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20 b. LIL and the LTA functionalized as generation and classified as 100% demand.

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22 Further information contained in NP-NLH-001 and PUB-NLH-043 provides an individual  
23 comparison of Newfoundland and Labrador Hydro’s proposal (the LIL and the LTA  
24 functionalized as generation and classified using the equivalent peaker approach) with The  
25 Brattle Group, Inc.’s proposal recommending that the LIL and the LTA be functionalized as  
26 transmission and classified as 100% transmission demand.

**Table 1: Comparison of the Labrador-Island Link & the Labrador Transmission Assets Functionalization Impacts**

<b>Customer Class</b>	<b>LIL &amp; LTA Functionalized as Transmission &amp; Classified as 100% Demand</b>	<b>LIL &amp; LTA Functionalized as Generation &amp; Classified as 100% Demand</b>	<b>Difference</b>
<b>Revenue Requirement (\$000):</b>			
Newfoundland Power (before Rural Deficit)	893,285	892,078	(1,207)
Rural Deficit to Newfoundland Power	64,900	65,550	650
Newfoundland Power (after Rural Deficit)	957,975	957,415	(560)
Island Industrial	75,888	76,476	588
<b>Unit Cost (per MWh):</b>			
Newfoundland Power	16.42	16.41	(0.01)
Island Industrial	10.21	10.29	0.08

- 1 Table 1 shows there is an approximate \$600,000 difference between functionalization as
- 2 transmission and functionalization as generation. This difference results from the impact of the
- 3 Newfoundland Power generation credit in the cost allocation process.