

- 1 **Q. Please discuss, in Mr. Brockman’s view, whether functionalizing generation leads to**
2 **transmission and then classifying then using the same ratios as the associated**
3 **generation would be expected to yield similar COS results as functionalizing them as**
4 **generation. Why or why not?**
5
- 6 A. Hydro indicates there is a difference of approximately \$600,000 in revenue requirement
7 allocated to the Newfoundland Power and the Island Industrial Customers, depending on
8 whether the LIL and LTA are functionalized as generation and classified as 100%
9 demand, or functionalized as transmission and classified as 100% demand. The
10 difference is attributed to “the impact of the Newfoundland Power generation credit in
11 the cost allocation process.”¹
12
- 13 In light of that comparison and Hydro’s explanation for the difference, it would be
14 reasonable to expect a difference in the revenue allocation to those classes between
15 functionalization of generator leads as generation and functionalization as transmission,
16 even if the cost of generator leads were classified based on the load factor method or the
17 equivalent peaker method, with the cost being classified as something less than 100%
18 demand-related.

¹ See the response to Request for Information IC-NLH-007.