

1 Q. **Reference: Newfoundland and Labrador Hydro 2018 Cost of Service Methodology Review**
2 **Report, November 15, 2018, Page 7, Lines 21-24.**

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4 *“Hydro proposes to maintain separate cost of service studies for the Labrador*
5 *Interconnected System and the Island Interconnected System for use in determining*
6 *customer rates. This approach is consistent with the Government direction exempting*
7 *customers on the Labrador Interconnected System from paying costs related to the Muskrat*
8 *Falls Project.”*

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10 Please provide a listing of Hydro’s costs that are currently allocated to both the Island
11 Interconnected System and the Labrador Interconnected System but are not specific to
12 either system. In the response, please describe the method or methods now used to
13 allocate these costs between the two systems.

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16 A. Newfoundland and Labrador Hydro (“Hydro”) allocates the following cost and revenues by
17 system:

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19 1. Expense Credits including sundry revenue, tax refund and suppliers’ discounts
20 which are allocated on the basis of total direct operating and maintenance cost by
21 system;

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23 2. Meter test revenue is allocated based on customers by system;

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25 3. Municipal taxes are allocated based on prior year rural revenues;

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27 4. Board of Commissioners of Public Utilities’ assessment costs are allocated based on
28 prior year revenues; and

1 5. Retired Asset Pool is allocated based on total of each respective unit of property by
2 system.

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4 Other asset costs are allocated to each system in the following manner and then attract
5 the respective portion of cost within the specific system:

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7 1. Meters are allocated based on weighted count of meters by system;

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9 2. Computer software assets for customer services are allocated based on
10 weighted customer counts by system;

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12 3. General computer software assets are allocated based on direct production,
13 transmission and distribution asset cost by system; and

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15 4. Other general plant (for example Hydro Place and other general plant) is
16 allocated to system by total direct general plant cost.