

1 Q. Please discuss whether the principles being debated will have current or future potential
2 precedent value for revising the cost contribution provision for supply on the Island as a whole
3 or specific geographic areas on the Island where transmission may be limited.
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6 A. The main principle being debated is the cost recovery approach to use when additional
7 investments in common transmission assets are prompted by a new customer load request. The
8 current approach requires the full cost of common transmission investments to be recovered
9 through published customer rates. Newfoundland and Labrador Hydro (“Hydro”) has proposed a
10 change from the current approach for the Labrador Interconnected System primarily due to the
11 specific circumstances of the Labrador Interconnected System as set forth in response to
12 NP-NLH-033. While the circumstances on the Island Interconnected System do not require
13 changes to the current approach to be considered at this time (also described in response to
14 NP-NLH-033), Hydro believes the principle of whether the beneficiary pays approach should
15 apply in determining the apportioning of the incremental transmission investment costs
16 between new and existing customers is a policy consideration for the overall Newfoundland and
17 Labrador Interconnected System. The beneficiary pays debate is mostly related to whether
18 reliability benefits to existing customers as a result of the addition of new transmission assets
19 should reduce the contribution required from the new customer prompting the new
20 transmission investment.
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22 Hydro also believes the application of a betterment credit, when appropriate, should be
23 reflected in application of the proposed Labrador Interconnected System Network Additions
24 Policy when dealing with transmission upgrades. The betterment credit is applied to reduce the
25 required contribution when a transmission upgrade prompted by a new customer results in a
26 replacement of older common transmission assets with new common transmission assets (i.e.,
27 the credit reflects the benefits to existing customers of the asset life extension).¹ A further

¹ As explained in Hydro’s Network Additions Policy Review filed on October 1, 2018, the provision of betterment is currently reflected in both Hydro’s and Newfoundland Power’s rates and regulations and the Contribution In Aid of Construction Policy for each utility.

1 discussion on the provision of a betterment credit is provided in Hydro’s response to NP-NLH-
2 044.

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4 Hydro also notes that the proposed policy approach to provide recovery of transmission
5 investments that are specifically assigned is consistent with the accepted principles currently
6 applied in dealing with specifically assigned assets on the Island Interconnected System.

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8 The provision of load-based investment to reduce the contribution required from customers is
9 also a principle that is relevant to Island customers. In general, Hydro supports the consideration
10 of anticipated load-based transmission-related revenues in the determination of the required
11 contribution from customers. This approach is followed in the Contribution in Aid of
12 Construction Policy for distribution upgrades and extensions for the Island and Labrador.
13 However, for the Labrador Interconnected System Network Additions Policy, Hydro believes
14 there is a material risk to existing customer rates if this credit is provided to non-industrial
15 customers and, therefore, Hydro is proposing that the policy limit the availability of a load-based
16 transmission-related revenue credit to Industrial Customers only.