

1 Q. Please provide references tied to either the regulatory history in the Province, or literature on
2 rate regulation generally, regarding the entitlement of existing customer to be protected from
3 new loads that would drive up costs.
4

5
6 A. Newfoundland and Labrador Hydro (“Hydro”) has a legislative obligation to provide service to its
7 customers. In certain circumstances, this could include construction of additional infrastructure
8 to provide the requested service. The customer requesting service would then pay for the costs
9 to provide this service, based on the Board of Commissioners of Public Utilities (“Board”)
10 approved methodology in place.
11

12 In Newfoundland and Labrador, pursuant to the *Electrical Power Control Act, 1994*, SNL 1994,
13 Chapter E-5.1, section 3, it is the policy of the province that rates charged to customers “. . .
14 should be reasonable and not unjustly discriminatory.” In line with the requirement for the rate
15 to be reasonable and not unjustly discriminatory, the published rates that apply to all customers
16 in the province do not include the costs of transmission infrastructure necessary to provide
17 service to only one customer (i.e., specifically assigned asset). In this circumstance, the customer
18 being served by the specifically assigned asset is required to pay the costs associated with that
19 asset.
20

21 In general, distribution investments to serve customers are treated as common assets in the
22 determination of customer rates. However, the Residential and General Service Contribution in
23 Aid of Construction (“CIAC”) policies apply to provide cost recovery from new customers in
24 situations where distribution line extensions or upgrades are required that exceed the amount
25 of basic asset investment provided to new customers. Through the ability to charge
26 contributions from new customers requiring costly distribution extension or upgrades, the CIAC
27 policies reduce the impact on published customer rates from these distribution asset
28 investments.

1 Additionally, the approved Schedule of Rates and Regulations also enable Hydro to charge
2 customers for the investment costs incurred in the provision of temporary service, asset
3 relocations and the provision of special facilities.
4

5 More recently, and particularly in Labrador, Hydro has been examining the implications of large
6 load additions on rates for existing customers. This consideration, in combination with future
7 expansion planning, gave rise to the proposed Labrador Interconnected System Network
8 Additions Policy (“NAP”). The proposed NAP is intended to limit the rate increases that can
9 result from investment in new transmission assets to serve new load requests and provide a
10 reasonable sharing of cost responsibility between the customer requesting service and the
11 existing customer, pursuant to the principles of the beneficiary pays approach.
12

13 For further discussion of Hydro’s current Network Additions Policy and CIAC Policy, as well as
14 cost allocation principles in Canada and the United States, please see Hydro’s Network Additions
15 Policy Review, filed with the Board on October 1, 2018, including the industry scan completed by
16 Christensen Associates Energy Consulting, LLC and attached to the Network Additions Policy
17 Review as Attachment 1, Appendix A —Transmission Cost Allocation Methods to Account for
18 Network Additions. Attachment 1, Appendix B to the Network Additions Policy Review provides
19 the Ontario Energy Board’s review of cost responsibility for network additions and the
20 recommendations stemming from that review.