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- 1 Q. Hydro plans to invest approximately \$28 million in Labrador West in addition to the \$20 million
2 recently invested in Labrador East. These projects will create additional capacity to serve
3 customers and increase reliability. One of the concerns with the “but for” approach that Hydro
4 has articulated is that a large customer could materially accelerate the requirement for a
5 transmission upgrade and not pay a contribution. The subsequent customer that triggers the
6 investment would be required to pay for the next capital investment which Hydro states creates
7 fairness issues.
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- 9 a. Does Hydro agree that if a “but for” approach was already in place that the investments in
10 Labrador East and the upcoming Labrador West investments would be recovered from the
11 existing customers that prompted the investments and new customers that would avail of
12 the capacity created from those investments and, as such, would significantly mitigate or
13 eliminate those fairness issues?
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- 15 b. Given that the combined recent and upcoming \$48 million capital investments in Labrador
16 East and Labrador West constitute the largest investment on the Labrador Interconnected
17 system in the past ten years has Hydro considered implementing a “but for” approach with
18 the Network Additions Policy that would enable these investments to be factored into the
19 determination of the contribution that new customers would have to pay in order to avail of
20 the capacity created via these investments?
21 i. If yes, please outline the reason(s) for Hydro choosing to not adopt a “but for” approach
22 that incorporated such a contribution mechanism.
23 ii. If no, please outline what advantages and disadvantages that Hydro perceives with such
24 an approach in comparison to its proposed approach.
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- 27 A. a. Newfoundland and Labrador Hydro (“Hydro”) would be required to conduct a system
28 impact study on historical load growth in Labrador East and Labrador West to determine if use
29 of the “but for” approach would have required the recovery of these transmission investments
30 from new customers through customer contributions or from all customers through higher

1 customer rates. Hydro has concerns with the fairness of the “but for” approach as described in
2 Hydro’s response to IC-NLH-005.

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4 **b.** No. Hydro believes it would be more appropriate to determine the cost to charge customers
5 for future load growth based on the cost of the future transmission investments that would be
6 required to serve the future load growth. Hydro would be concerned with the fairness of
7 charging new customers the full cost of historical transmission investments. Hydro believes such
8 an approach creates material fairness concerns as the “but for” does not consider the benefit of
9 these transmission investments to existing customers.

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11 Hydro has proposed to compute an average transmission capital cost of serving load growth in
12 deriving an Expansion Cost per kW to apply in determining an Upstream Capacity Charge for
13 customers with load requirements between 200 kW and 1,500 kW. This approach is proposed as
14 Hydro considers it impractical to conduct a system impact study to determine the cost to serve
15 each new customer requiring more than 200 kW. For larger customers, Hydro proposes to
16 conduct the system impact study exercise to determine the cost of serving the additional load.
17 In cases where transmission investments are accelerated, Hydro considers it fair to consider the
18 benefits provided to existing customers that would result in this transmission investment when
19 computing the contribution to be required from the new customer.