

1 **Q. Re: Application for Exemption to Regulation 17 — Wabush Airport**

2 **Citation (pp. 7-8 pdf):**

3 16. ... The Upstream Capacity Charge is calculated as the Upstream Capacity  
4 Cost less the Basic Capacity Investment Credit. The calculation for the Transport  
5 Canada request is attached as Schedule 4, showing an Upstream Capacity  
6 Charge of \$290,625.00. ...

7 a. Please describe in detail the accounting treatment that will be applied to this payment. Will  
8 it reduce the LIS revenue requirement in the year when it is made, or over a longer period?  
9 Or will it be held in escrow to contribute to future network investments?

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12 A. a. Any contributions from customers as a result of new network additions will be deducted  
13 from rate base in determining test year revenue requirement. This methodology was  
14 proposed by Newfoundland and Labrador Hydro (“Hydro”) in its application for revisions to  
15 its Cost of Service Methodology, filed in November 2018,<sup>1</sup> and agreed to by the parties in a  
16 settlement agreement that was approved by the Board of Commissioners of Public Utilities  
17 in P.U. 37(2019).<sup>2</sup>

18 Contributions that are not related to any asset in service would be reflected in Hydro’s work  
19 in progress and excluded from rate base. Upon inclusion of the asset in rate base, the  
20 corresponding contribution would be net against rate base and depreciated at the same  
21 rate; thereby reducing revenue requirement.

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<sup>1</sup> “Cost of Service Methodology Review,” Newfoundland and Labrador Hydro, November 15, 2018, sch. 1, s. 3.2, para. (iv), p. 8.

<sup>2</sup> *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 37(2019), Board of Commissioners of Public Utilities, November 20, 2019.