

1 Q. **Re: Cost of Service Study, Exhibit 9, s. 1.6.2, page 3**

2 The document states: "Lines and terminal station assets that exclusively
3 service NP or IC are directly assigned."

4 Please confirm that no distribution assets are directly assigned.

5 Please explain under what conditions, if any, distribution assets are directly
6 assigned to industrial or other customers, according to standard industry practice.

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9 A. In general, distribution assets are assigned to the Hydro Rural rate classes in the
10 appropriate cost of service system (i.e., Island Interconnected, Labrador Isolated,
11 etc.). There are several exceptions to the assignment of distribution assets. First, if
12 distribution assets are used to provide station service to a hydroelectric generating
13 station, or its intake, bypass or spillway structures, these distribution assets are
14 functionalized as hydraulic generation and the assets assigned common. Second, if
15 distribution assets are used to provide station service to a thermal generating
16 station, or its fuel handling structures, these distribution assets are functionalized
17 as thermal generation and the assets assigned common. Third, if distribution assets
18 are used to provide station service to a gas turbine generating station, or its fuel
19 handling structures, these distribution assets are functionalized as gas turbine
20 generation and the assets assigned common.

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22 A distribution asset would be specifically assigned to an Industrial Customer or
23 Newfoundland Power if Hydro was requested to construct such distribution asset(s)
24 and the customer (either an Industrial Customer or Newfoundland Power) was the
25 only customer receiving benefit from the distribution asset(s). This is not a
26 common practice as Hydro's delivery points to an Industrial Customer or

- 1 Newfoundland Power are at a transmission voltage level with the individual
- 2 customer taking responsibility for its own local distribution assets.