

1 Q. **Re: NLH Evidence, Section 4, page 4.6, lines 2-6, Table 4.2 and note 3.**

2 Please describe the criteria used to determine whether or not a given asset is “used
3 primarily by that customer,” and thus should be reflected in Specifically Assigned
4 Charges.

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7 A. The criteria of the assignment of plant as either “common” or “specifically
8 assigned” is derived from the Board order dated March 14, 1978. In its conclusions
9 and recommendations the Board states at page 121:

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11 *“For the purpose of resolving the issues between Hydro and the intervenors*
12 *as to whether certain plant and equipment should be assigned to joint use or*
13 *to specific customers the Board has decided to use the following standard:*

14 *(i) plant and equipment which is of substantial benefit to more than one*
15 *customer will be classified “joint use”; and*

16 *(ii) plant and equipment which is of little or no benefit to two or more*
17 *customers will be classified as specific use.”*

18 Over time the term “joint use” has evolved to “common” and “specific use” has
19 become known as “specifically assigned”.

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21 With respect to Hydro’s Evidence, Section 4, page 4.6, lines 2-6, Table 4.2 and note
22 3, Hydro states:

23

24 *Specifically assigned charges are meant to recover the costs associated with*
25 *assets used primarily by that customer.*

1 This comment is in keeping with the Board's original ruling from 1978, which,
2 considers that there may be "little or no benefit to two or more customers" for a
3 given piece of plant or equipment.

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5 For the purposes of the assignment of plant Hydro uses the following definitions
6 with respect to assignment of plant:

7 **Common plant** is defined as plant that is of benefit to two or more
8 customers. Costs for common plant is assigned to all customers of the
9 system with the individual portion of the cost being derived based upon
10 factors such as usage.

11
12 **Specifically assigned plant** is defined as plant that is of benefit to only one
13 customer. Costs for specifically assigned plant are assigned directly to the
14 benefiting customer.

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16 In the rare case where there are two customers connected to a particular group of
17 assets where one customer is relatively large (i.e., 70 MW) and the second
18 customer is relatively small (i.e., 100 kW), the question of "little benefit" or
19 "primary use" comes into play with respect to the assignment of the group of
20 assets. In this instance, Hydro may make recommendation that the plant in
21 question be specifically assigned to the larger customer. However, the matter is
22 within the Board's jurisdiction.