

1 Q. **B-48, Increase Generation Capacity – Mary’s Harbour \$1,489,000**

2 Has Hydro considered developing a policy for isolated diesel communities that
3 would require a large commercial user, such as the crab plant in Mary’s Harbour, to
4 make a contribution to significant capital costs required to meet that customer’s
5 load? If yes, what is the status of the policy? If not, why not?
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8 A. Hydro has not developed a policy for customer contributions for generation
9 additions. Large increases in load in isolated communities can cause capital cost
10 increases, so Hydro is aware that issues of rates fairness and cost causality will arise
11 in these instances. As a matter of rate design policy, specific assignment or
12 contributions for construction are common and non-controversial for distribution,
13 transmission or interconnection plant because the specific plant to be added can be
14 identified and restricted to that which provides benefits to only that customer. In
15 the case of generation, every increase of generating capacity on a system provides a
16 more robust overall system for all customers so all customers benefit to at least
17 some degree. Also, the general trend in the electric industry is for load to grow.
18 Attaching an apparent step change in load growth to a particular customer may be
19 superficially attractive but within a few years, if load has grown for other
20 customers, an increase to generating capacity was likely to have been required
21 anyway, so the matter becomes one only of timing or one of sizing of the capacity
22 change.
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24 As a matter of socio-economic policy, requiring specific general service or industrial
25 customers to pay for increases of load triggered by new ventures is seen as a
26 disincentive to economic growth and job creation. Spreading the added

- 1 infrastructure costs amongst all customers is seen as fair as the positive spin-off
- 2 effects of development are seen to be worth the price to all ratepayers.