

1 Q. **Reference: 2018 Utility Customer Interim Rates Application; LAB-NLH-085, rev. 1**
2 **(page 2 of 4)**

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4 Citation:

5 a) Hydro, as a transmission customer, will pay the approved transmission tariff
6 to the Newfoundland and Labrador System Operator (NLSO), which includes the
7 costs of the Labrador-Island Link (LIL) and the Labrador Transmission Assets
8 (LTA) when Hydro begins to receive service over the LIL, however, transmission
9 tariff charges that apply to Hydro as a result of the implementation of the
10 Network Integration Transmission Service (Network Service) rate will not
11 increase the revenue requirement to be recovered from Hydro's Native Load
12 customers.

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14 Preamble:

15 It appears that the reasoning underlying Hydro's statement that the NITS
16 transmission charges will not increase the revenue requirement is because it is
17 assumed that they will be precisely counterbalanced by a reduction in the
18 capital costs related to for transmission assets of 230kV and greater, which are
19 removed from Hydro's rate base and transferred to the NLSO rate base.

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21 a) Please confirm or correct the statement in the Preamble.
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23 b) Please explain the basis for Hydro's assumption that the reduction of capital
24 costs will precisely equal the transmission tariff expense.
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26 c) Please confirm whether this precise counterbalance is reflected in the Utility
27 Customer Interim Rates Application.

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- 1 A. a) It is not confirmed. As stated in Hydro's response to LAB-NLH-085(a), the
2 Newfoundland and Labrador System Operator (NLSO) does not own the
3 transmission assets reflected in the Network Service rate. Because Hydro is
4 incurring the costs of the transmission assets reflected in the Network Service
5 rate, Hydro will be reimbursed its Network Service rate charges through the
6 disbursement of Network Service rate revenues from the NLSO.
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- 8 b) Hydro has no reduction in capital costs. Please refer to Hydro's responses to
9 LAB-NLH-85(a) and LAB-NLH-85(f).
10
- 11 c) The 2018 Utility Customer Interim Rates Application reflects the fact that the
12 approval of the Network Service tariff will not increase the revenue requirement
13 to be recovered from Hydro's Native Load customers.