

1 Q. **Reference: CA-NLH-026**

2 It is stated “Hydro’s capital investments reflect its obligations to provide reliable service, in an
3 environmentally responsible manner at the least possible cost.”

4 **a)** Could Hydro meet this obligation if it were to, for example, refurbish a substation that
5 supplies a single customer and classify the cost as common rather than specifically-
6 assigned? What is Hydro’s practice in such circumstances?

7 **b)** In the quote in CA-NLH-032 (e), it is stated “*It also emphasizes the need for a tempering of*
8 *each interest group’s economic imperative by consideration of the interests of the other.*” For
9 the example provided in part (a) of this RFI, in Hydro’s opinion, would spending capital on
10 the substation refurbishment and classifying the cost as common meet this definition of
11 “fairness”?

12 **c)** For the example provided in part (a) of this RFI, in Hydro’s opinion, would spending capital
13 on the substation refurbishment and classifying the cost as common be a “prudently-
14 incurred cost” on behalf of its customers?

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17 A. **a)** Transmission or sub-transmission assets (i.e., assets with a voltage of 46 kV or greater)
18 serving only one customer are specifically assigned to that customer; all associated costs are
19 fully contributed by that customer. Distribution assets are governed by the Contribution in
20 Aid of Construction (“CIAC”) Policy approved by the Board of Commissioners of Public
21 Utilities. Newfoundland and Labrador Hydro’s (“Hydro”) ability to meet its mandate is
22 independent of the assignment of assets for the purposes of cost-of-service.

23 **b)** Hydro allocates its costs of capital in compliance with its cost of service. Hydro would
24 consider an allocation that is consistent with that cost of service to be fair. Hydro notes that
25 the referenced quote was not in relation to the allocation of costs between customers but
26 was made in a discussion surrounding the balance of interests between a regulated utility
27 and its customers.

- 1 c) Whether or not an expenditure is a prudent one depends on the justification for that
- 2 expenditure (i.e., the need for it and whether that particular expenditure meets that need
- 3 and ensures reliability in a way that is least cost and environmentally responsible).