

1 Q. **Reference: CA-NLH-103.**

2 Regarding the Wiltondale distribution system upgrade project, it is stated *"The cost of the*
3 *project, including capital cost recovery and operating expenses, will be recovered from*
4 *Newfoundland Power through a specifically assigned charge included in the wholesale rate."*

- 5 a) Will the capital cost of the Wiltondale project be included in Hydro's rate base?
6 b) How will the capital cost recovery component be included in the wholesale rate?
7 c) How will the specifically assigned charge be calculated?
8 d) Does Hydro collect all capital costs specifically assigned to Newfoundland Power through the
9 wholesale rate or are other mechanisms, e.g., cost recovery riders, also used?

10
11
12 A. a) The capital cost of the Wiltondale project will be included in Newfoundland and Labrador
13 Hydro's ("Hydro") rate base.

14 b) The capital cost recovery component for Newfoundland Power Inc's ("Newfoundland
15 Power") specifically assigned charge will be included in their revenue requirement to be
16 recovered through the wholesale rate. Rates are designed to recover the total revenue
17 requirement assigned to a customer or customer class.

18 c) The specifically assigned charge will consist of capital cost recovery which will include
19 depreciation and return calculated on the capital costs of the Wiltondale assets. The
20 operations and maintenance ("O&M") charge is proposed in the cost of service
21 methodology application¹ to consist of two components:

- 22 1) A direct O&M charge: this will be calculated as a six-year average of actual O&M
23 expenses recorded against each specifically assigned asset. For assets for which six-

¹ "Cost of Service Methodology Application," Newfoundland and Labrador Hydro, August 22, 2025.

1 year average historical work order data is not available, Hydro proposed using
2 estimated preventative maintenance costs on an asset-by-asset basis.

3 2) A indirect O&M charge: this component will be derived by applying a loader to the
4 direct charge. The loader is calculated as the ratio of total indirect transmission
5 O&M to total direct transmission O&M, derived from the Cost of Service Study.
6 This ratio will then be applied to the customer's direct O&M charge to allocate a
7 fair share of system-level overhead and shared costs.

8 **d)** Capital costs specifically assigned to Newfoundland Power are recovered through the
9 wholesale rate.