

1 Q. **Reference: Application, paragraphs 13–16; Schedule 1, Section 6.7–6.9**

2 Hydro states that assets serving only one customer are the responsibility of that customer and
3 should not be funded by other customers. Hydro has accordingly identified approximately
4 \$680,300 of 2027 expenditures specifically assigned to Tacora and approximately \$1.16 million
5 specifically assigned to IOC.

- 6 a) For each material program/project in the 2027 CBA, please identify whether the
7 resulting revenue requirement is expected to be allocated to: i) Island Interconnected
8 customers; ii) Labrador Interconnected customers; iii) Hydro Rural customers; iv)
9 Industrial customers; v) Newfoundland Power; or vi) all customers.
- 10 b) Please provide the forecast 2028 revenue requirement arising from the 2027 CBA by the
11 customer/system categories in (a).
- 12 c) Provide the approximate percentage ultimately expected to be borne by residential
13 customers.
- 14 d) For general plant, information systems, transportation, tools/equipment and other
15 shared-service investments, please explain the basis used to determine the portion of
16 capital-related revenue requirement allocated to residential customers.
- 17 e) Please identify any capital project or program where the principal driver or beneficiary is
18 an industrial, commercial or other identifiable customer/group but some portion of the
19 cost is expected to be recovered from residential customers. For each, explain the cost-
20 allocation basis.
- 21 f) Please explain how Hydro's cost-allocation practices ensure that residential customers
22 do not subsidize assets or incremental service requirements principally caused by
23 another customer or customer class.
- 24 g) Please identify the allocator(s) used to assign the revenue requirement associated with
25 General Properties, Information Systems, Transportation and Tools and Equipment
26 investments among customer classes and provide the residential allocation percentage
27 applicable to each.

- 1 A. **a)** Please refer to CA-NLH-043, Attachment 1, which provides the requested allocation for
2 projects and programs newly proposed in the 2027 Capital Budget Application (“CBA”).
3 Please note that the actual allocation of some programs, such as In-Service Failure
4 programs, is dependent on the location and function of the asset replaced or refurbished,
5 which is not known until the time of execution.
- 6 **b)** Please refer to Newfoundland and Labrador Hydro’s (“Hydro”) response to CA-NLH-040 of
7 this proceeding.
- 8 **c)** Please refer to part b).
- 9 **d)** Please refer to part b).
- 10 **e)** Projects with specifically assigned costs are identified in CA-NLH-043, Attachment 1.
11 Within these projects, residential customers only pay for the assets that provide service to
12 them. Whether or not an asset is specifically assigned is determined by the beneficiary of
13 electricity service provided. Hydro is not aware of any additional projects or programs
14 within its 2027 CBA which benefit only one customer or customer group.

15 As outlined in Schedule 1, Hydro’s 2027 CBA includes the following specifically assigned
16 projects:

- 17 • Continuation of Hydro’s “Renew Circuit Breakers Program” with replacement of
18 B4L35 in Wabush Terminal Station, specifically assigned to Tacora Resources Inc.
19 (“Tacora”). The total estimated specifically assigned costs for Tacora in 2027 is
20 \$680,300.
- 21 • Continuation of Hydro’s “Replace Protective Relays” and “Renew Circuit Breakers
22 Program” with assets specifically assigned to the Iron Ore Company of Canada
23 (“IOC”) to replace breaker B4L6 and L6 line protection in Wabush Terminal Station.
24 The total estimated specifically assigned costs for IOC in 2027 is approximately
25 \$1.16 million.

26 Specifically assigned assets are those utility assets that are dedicated to serving a single
27 customer and are generally transmission related. The costs associated with these assets—which

1 include both capital costs and operating and maintenance (“O&M”) expenses—are allocated
2 directly to those customers rather than being shared among all system users.

3 As part of the 2017 General Rate Application (“GRA”) proceeding, Hydro committed to a
4 comprehensive review of its asset base and filed the “Review of Industrial Customer Specifically
5 Assigned Assets” in March 2018.¹ This review assessed whether assets currently designated as
6 specifically assigned still met the applicable criteria and whether any additional assets should be
7 reclassified. The analysis led to changes in the assignment of assets for several industrial
8 customers, including Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited
9 (“NARL”),² Vale Newfoundland and Labrador Limited, and Teck Resources Limited, to ensure
10 alignment with cost of service principles. Hydro’s proposed changes were approved in the 2018
11 Cost of Service Methodology proceeding in the Board of Commissioners of Public Utilities Order
12 No. P.U. 37(2019).

13 Hydro updated the methodology for charging O&M to specifically assigned customers within its
14 2025 Cost of Service methodology, which was approved in Board Order No. P.U. 14(2026). The
15 O&M charged to a specifically assigned customer are composed of two components:

- 16 • **Direct O&M Charge:** This will be calculated as the six-year average of actual O&M expenses
17 recorded against each specifically assigned asset. The six-year averaging period aligns with
18 the typical maintenance cycle for transmission assets, thereby smoothing year-to-year
19 variability while preserving cost causality.
- 20 • **Indirect O&M Charge:** This component will be derived by applying a loader to the direct
21 charge. The loader is calculated as the ratio of total indirect transmission O&M to total
22 direct transmission O&M, derived from the Cost of Service Study. This ratio will then be
23 applied to the customer's Direct O&M Charge to allocate a fair share of system-level
24 overhead and shared costs.

¹ “Review of Industrial Customer Specifically Assigned Assets,” Newfoundland and Labrador Hydro, rev. March 5, 2018 (originally filed December 21, 2017).

² NARL was acquired by new ownership in 2021 and renamed Braya Renewable Fuels.

1 For further information on how Hydro allocates costs amongst customers, please refer to
2 Hydro's Cost of Service Methodology as approved in Board Order Nos. P.U. 37(2019) and
3 P.U. 14(2026).

4 For the Labrador Interconnected System, the Network Additions Policy is in place to limit rate
5 increases that can result from investment in new transmission assets to serve new load
6 requests, and to achieve a reasonable balance in the sharing of the benefits and the costs of
7 new transmission investments between the Applicant and existing Customers. This Policy is used
8 to determine the contribution requirements from Applicants on the Labrador Interconnected
9 System related to (i) transmission system extensions to connect Applicants or Non-utility
10 Generators; and (ii) demand requirement requests from Applicants that, immediately or over
11 time, may contribute to transmission network extensions or upgrades. The Policy will also be
12 used to determine the Customer Contributions required from Transmission Customers
13 requesting open access transmission service.³

14 **f)** Please refer to part e).

15 **g)** Please refer to part b). Further information on cost allocation is also available in 2027 Test
16 Year Cost of Service Study, provided as Schedule F within the Hydro's 2026 GRA.

³ <https://nlhydro.com/wp-content/uploads/2021/03/Network-Additions-Policy.pdf>.

Project/Program Title	Island Int.	Labrador Int.	Rural/Isolated	Estimated Cost Allocation		
				General Plant	Spec Assigned	Dependent on Actual Allocation
Access						
Provide Service Extensions (2027)						Yes
General Plant						
Replace Light-Duty Mobile Equipment (2027)				100%		
Replace Peripheral Infrastructure (2027)				100%		
Upgrade Core OT Infrastructure (2027)				100%		
Purchase Mobile Devices (2027)				100%		
Update Cybersecurity Infrastructure (2027)				100%		
Update Cybersecurity Infrastructure - Operational Technology (2027)				100%		
Clarity Replacement (2027)				100%		
Install Fire Protection in 230 kV Stations (2027-2028) - Bottom Brook	100%					
Procurement of Lidar for Digitization of Transmission Lines (2027)				100%		
Construct Pole Storage Ramps (2027-2028) - Happy Valley		100%		100%		
Install Electric Vehicle Chargers (2027-2028) - Hydro Sites				100%		
Upgrade Energy Management System (2027-2028)				100%		
SWOP Replacement (2027-2028)				100%		
Replace Power Line Carrier (2027-2029) - TL212	100%					
Purchase Personal Computers (2027)				100%		
Install CCTV Systems (2027)				100%		
Purchase Tools and Equipment (2027)				100%		
Telecommunications In-Service Failures (2027)				100%		
Perform Minor Telecommunications Enhancements (2027)				100%		
Replace Heavy-Duty Mobile Equipment (2027-2028)				100%		
Perform Facilities Refurbishments (2027)				100%		
Migrate Legacy Applications (2027)				100%		
Perform Software Upgrades and Minor Enhancements - Information Technology (2027-2028)				100%		
Perform Software Upgrades and Minor Enhancements - Operational Technology (2027)				100%		
Replace Cisco Call Manager Appliances (2027)				100%		
Perform Accessibility Upgrades (2027)				100%		
Upgrade Core Information Technology Infrastructure (2027)				100%		
Replace 48 V Battery Banks and Chargers (2027-2028)				100%		
Replace Network Communications Equipment (2027-2028)				100%		
Refurbish Intake Access Road (2027-2028) - Bay d'Espoir	100%					
Stabilize Powerhouse Slope (2027) - Cat Arm	100%					
Replace Roof (2027-2028) - Cartwright			100%			
Upgrade Line Depots (2027-2029) - Bay d'Espoir	100%					
Replace Heavy-Duty Vehicles (2027-2029)				100%		
Replace Light-Duty Vehicles (2027-2028)				100%		
Modify Office Buildings and Procure Furniture, Fixtures, & Equipment (2027)				100%		
Procure Accommodations (2027) - Postville			100%			
Mandatory						
Purchase Meters and Metering Equipment (2027)				100%		
Renewal						
Combustion Turbine In-Service Failures (2027)						Yes
Terminal Station In-Service Failures (2027)						Yes
Thermal In-Service Failures (2027)	100%					
Transmission In-Service Failures (2027)						Yes
Upgrade Power Transformers (2027-2028)	75%		25%			
Hydraulic In-Service Failures (2027)	100%					
Replace Instrument Transformers (2027-2028)	100%					
Replace Protective Relays (2027-2028)	90%				10%	
Replace Terminal Station Battery Banks and Chargers (2027-2028)	100%					
Renew Diesel Units (2027)			100%			
Diesel In-Service Failures (2027)			100%			
Diesel Genset Replacement - Unit 2029 (2027-2029) - Makkovik			100%			
Replace Diesel Gensets (2027-2029)			100%			
Overhaul Hydraulic Units (2027)	100%					
Renew Distribution Feeders (2027-2028)			100%			
Inspect Fuel Storage Tanks (2027-2028) - Makkovik			100%			
Refurbish Draft Tube Deck - Phase 3 (2027-2029) - Bay d'Espoir	100%					
Perform Level 2 Condition Assessment - West Salmon Spillway (2027-2028) - Upper Salmon	100%					
Perform Level 2 Condition Assessment - Steel Section (2027) - Paradise River	100%					
Replace Annunciator Panel (2027-2028) Upper Salmon	100%					
Replace Hydraulic Lift Pump (2027-2028) - Burnt Dam	100%					
Replace Rip Rap on LD-5 (2027) - Salmon River Spillway	100%					
Overhaul Unit (2027) - Paradise River	100%					
Overhaul Unit 2 (2027) - Cat Arm	100%	100%				
Wood Pole Line Management (2027)	68%		32%			
Refurbish Aluminum Towers (2027-2030) - TL212	100%					
Distribution System In-Service Failures and Miscellaneous Upgrades (2027)			100%			
Perform Dam Infrastructure Refurbishments (2027)	100%					
Refurbish MD-1 (2027-2028) - Ebbegunbaeg	100%					
Overhaul Turbine Valves - Unit 1 (2027) - Holyrood	100%					
Perform Boiler Condition Assessment and Miscellaneous Upgrades (2027) - Holyrood	100%					
Replace Exciter Controller - SC1 and SC2 (2027-2028) - Wabush		100%				
Perform Major Inspection - Synchronous Condenser 2 (2027-2028) - Wabush Terminal Station		100%				
Replace Circuit Breaker Reclosing Controllers (2027-2028) - Come by Chance	100%					
Overhaul Unit 5 (2027) - Bay d'Espoir	100%					
Replace Diesel Gensets (2027-2029) - Burnt Dam Spillway	100%					
Refurbish Draft Tube Deck - Phase 3 (2027-2029) - Bay d'Espoir	100%					
Overhaul Generator - Unit 3 (2027) - Holyrood	100%					
Overhaul Marine Terminal Loading Arms (2027) - Holyrood	100%					
Replace Air Compressor 1 (2027-2028) - Holyrood	100%					
Overhaul Major Pumps and Associated Motors (2027) - Holyrood	100%					
Refurbish Draft Tube Deck - Phase 3 (2027-2029) - Bay d'Espoir	100%					
Overhaul Main Enclosure (2027) - Stephenville	100%					
Install Breaker Failure Protection (2027-2028) - Western Avalon and Holyrood	100%					
Renew Circuit Breakers (2027-2029)	50%				50%	
Replace Disconnects (2027-2029)	100%					
Replace T1 (2027-2029) - Burgeo			100%			
Service Enhancement						
Upgrade Blackstart Diesel Instrumentation (2027-2028) - Holyrood	100%					
Upgrade Terminal Station for Mobile Substation (2027-2028) - Glenburnie	100%					
Distribution Equipment SCADA Additions - Phase 1 (2027-2028)						
Upgrade Worst-Performing Distribution Feeders (2027-2028)			100%			
Remove Safety Hazards (2027)						Yes
Additions for Load Growth						
Additions for Load Growth - Upgrade Fuel Storage (2027) - Cartwright			100%			