

1 Q. (Reference 2017 GRA Volume I, page 1.4) It is stated (lines 14 to 18) *“This includes*
2 *the construction of a third transmission line (TL267) from Bay d’Espoir to Western*
3 *Avalon with a total capital expenditure of approximately \$291 million. TL267 will*
4 *have a positive impact on system reliability and will help alleviate system*
5 *constraints relating to power flow to the Avalon Peninsula resulting from an*
6 *increase in customer demand.”* Please quantify the impact of this line on customer
7 classes in terms of revenue allocation and rate impacts if 10%, 20%, 30%, 40% and
8 50% of its costs were classified as energy.

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11 A. This request asks for cost of service studies to be run on five different hypothetical
12 approaches, none of which have been amongst those approved by the Board for
13 Hydro. The approach since the implementation of the cost of service methodology
14 approved in the 1993 Cost of Service Report by the Board, is that all functionalized
15 transmission assets are classified as 100% demand related. The only transmission
16 assets that have any energy allocation applied are transmission assets primarily for
17 the purpose of interconnecting generation assets to the grid. These assets are
18 functionalized as generation and are allocated between demand and energy based
19 on system load factor, which is 55.3% energy and 45.7% demand in the 2019 Test
20 Year Cost of Service.

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22 Hydro would be required to make material modifications to its cost of service
23 software to enable the provision of a full response to the question. Therefore,
24 Hydro cannot provide a full response to the request. However, to provide an
25 illustration of the potential impact of TL 267 revenue requirement allocation, if a
26 portion of TL 267 costs are allocated on energy, Hydro has estimated the impact on

1 cost allocation if TL 267 was functionalized as a generation asset and allocated on
2 system load factor.

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4 Table 1 provides a comparison of the allocated revenue requirements for
5 Newfoundland Power, Island Industrial Customers, and Hydro Rural customers
6 (before revenue deficit allocation) using the existing approved methodology for
7 transmission revenue requirement allocation and an allocation approach with TL
8 267 costs allocated based on system load factor.

Table 1 Revenue Requirement Allocation Comparison – TL 267

Rate Class	Approved Transmission Classification (\$ millions)	TL 267 Classified on System Load Factor (\$ millions)	Difference¹ (\$ millions)
Newfoundland Power	475.1	474.3	(0.8)
Island Industrial	49.8	50.5	0.7
Hydro Rural Island Interconnected	77.8	77.8	0.1
Total	602.6	602.6	-

¹ Numbers may not add due to rounding.