1   Q.   (Reference response to LAB-NLH-20) It is stated *"The implementation of an Open*

2   *Access regime will not adversely affect native load customers primarily because*

3   *Hydro will only pay its proportional share of the revenue requirement based on*

4   *transmission usage."* How will the proportional share be calculated? Please provide

5   a numerical example.

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8   A.   The non-discriminatory nature of an open access regime requires all transmission

9   customers to pay the same rate for access to the transmission system. The rate is

10   anticipated to be determined by dividing all transmission costs less prior year third

11   party revenue for non-firm transmission use by the billing determinants that reflect

12   all transmission customers' firm commitment. At present, Hydro will be the only

13   firm user of the transmission network as Hydro is anticipated to hold all firm

14   transmission rights and non-firm, third party users are expected to be minimal.

15   Therefore, it is expected that Hydro will pay for all transmission costs. However, if

16   and when third party users take service, Hydro, and thereby its customers, will

17   receive a credit for the revenue from those other users resulting in those other

18   users paying their proportional share of the transmission system costs.

19

20   The following is a hypothetical example:

21   • Annual revenue requirement for transmission is $100 million.

22   • Sum of firm billing determinants is 1000 MW/month.

23   • Transmission rate is $100,000,000/1,000/12 = $8,333/MW-month for firm

24   service.

25   • The non-firm rate is $8,333/730 hours per month = $11.42/MWh for non-firm

26   service, which is taken on an hour-by-hour basis. If a third party user took

1   service for 10 MW for 1,000 hours the customer would pay 10 x 1,000 x

2   11.42/MWh = $114,200. This is the customer's proportional share and is

3   expected to be applied as a credit to the overall transmission rate calculated in

4   the subsequent year resulting in the cost to Hydro and thereby native load

5   customers being reduced to $99,885,800 ($100,000,000-$114,200). The revised

6   rate in the next year, assuming no change in billing determinants, will be

7    $99,885,800/1,000/12 = $8,324/MW-month for firm service.

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9   Hydro notes that the ultimate tariff mechanism and rate is subject to approval of

10   the Board.