

- 1 Q. **References:** (i) Order P.U. 2 (2018) – NLH 2017 GRA
2 (ii) Order P.U. 9 (2018) – NLH 2018 Capital Budget Application
3 (iii) NLH 2017 GRA, Evidence, Exhibit 10 – Average Rate Base
4 Methodology
5 (iv) NLH 2017 Additional Cost of Service Information, March 22,
6 2018
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- 8 **Preamble:** On March 23, the Board issued its Order P.U. 9 (2018), denying NLH
9 2018 Capital Budget Application with regards to the addition of a
10 new transmission section from Muskrat Falls to Happy-Valley-Goose
11 Bay. The Board found:
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13 *[...] Hydro has not completed a comprehensive plan to address load*
14 *growth and reliability on the Labrador Interconnected system. In*
15 *particular Hydro did not demonstrate that it has explored options to*
16 *manage load in the context of additional demand. Hydro admitted*
17 *that it did not discuss load curtailment with existing and prospective*
18 *customers, despite the potential benefits in relation to transient or*
19 *short duration peaks. [...]* (page 8)
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21 *As a part of the application for approval of such a significant project*
22 *Hydro is required to demonstrate that it conducted appropriate*
23 *planning for the system in a comprehensive manner which would*
24 *include development of reasonable planning criteria, identification of*
25 *needs on the system and assessment of reasonable alternatives. This*
26 *planning must address both Labrador East and Labrador West as*
27 *they are both part of the Labrador Interconnected system. In*
28 *addition, Hydro would be expected to address its obligation to*
29 *provide least cost reliable service, considering the impact on existing*
30 *customers of meeting new loads which may affect adequacy or*
31 *reliability on the system. Hydro acknowledged that it could apply to*
32 *the Board to be relieved of its obligation to serve but argued that,*
33 *while this issue is important, it should not impact the approval of the*
34 *proposed project. The Board does not accept this position and*

1 *believes that Hydro should address this issue before this project is*
2 *approved. [...] (pages 8-9)*

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4 Notwithstanding this recent Order P.U. 9 (2018), NLH's evidence,
5 Exhibit 10: *Rate base methods for determining utility rates:*
6 *Consideration of alternatives and recommendations* supports a
7 request from NLH to include the prospective cost of the MFA-HVY
8 transmission line in its rate base and Test Year Cost of service.

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10 Confirm that NLH will withdraw the cost of the Muskrat Falls to Happy Valley
11 transmission line from its 2018 and 2019 rate base and Test Year Cost of service for
12 the determination of the Labrador Industrial Transmission and of Labrador retail
13 rates. If not, please justify.

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16 A. Hydro plans to reflect the removal of the cost of the Muskrat Falls to Happy Valley
17 transmission line from its 2018 rate base and 2018 Test Year revenue requirement
18 in its General Rate Application (GRA) compliance filing which will provide the final
19 proposed cost of service and customer rates reflecting the Board's GRA Order.

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21 The regulatory process for the proposed project has not yet concluded. If the Board
22 approves the Muskrat Falls to Happy Valley transmission line project for conclusion
23 in 2019, Hydro proposes to include this project in rate base and revenue
24 requirement for the full 2019 Test Year. Evidence to support Hydro's proposal is
25 provided in Exhibit 10 – Average Rate Base Methodology (page 13) which states: "In
26 the event of significant capital additions, we recommend that Hydro and the PUB
27 follow recent precedence of annualizing rate base associated with a sizable

- 1 addition.” As stated in Exhibit 10, this proposal is intended to avoid an
- 2 “understatement of plant in service balances over future rate periods (page 12)”.