

1 Q. LAB-NLH-73: Re: CA-NLH-025, CA-NLH-026

2

3 a) Please complete the following table:

	2018		2019	
	With Off-Island Purchases Deferral Account	Without Off-Island Purchases Deferral Account	With Off-Island Purchases Deferral Account	Without Off-Island Purchases Deferral Account
Hydro Rural Residential Rate (¢/kWh)				
Magnitude of Rural Deficit (\$ millions)				
Rural deficit allocated to NP customers (\$ millions)				
Rural deficit allocated to Labrador Interconnected customers (\$ millions)				
Revenue derived from NP customers				
Cost of serving NP customers				
Revenue/cost ratio of NP customers				
Revenue derived from Labrador Interconnected customers				
Cost of serving Labrador Interconnected customers				
Revenue/cost ratio of Labrador Interconnected customers				

1           b) In the calculation of revenue/cost ratios for NP customers in Hydro's  
2           Application, how does Hydro account for cost savings arising from avoided  
3           Holyrood generation?  
4

5           c) In the calculation of revenue/cost ratios for NP customers in Hydro's  
6           Application, does the cost of service include the transmission costs of the  
7           Labrador Transmission Assets or the Labrador-Island Link?  
8

9           d) CA-NLH-026 asks about impacts on customers rates on the Labrador  
10          Interconnected System, but Hydro's response refers to IOC-NLH-005 and IOC-  
11          NLH-011 refer to the Labrador Industrial customers only. Please answer the  
12          question with respect to domestic customers on the Labrador Interconnected  
13          System.  
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16    A.    a) Please refer to Table 1.  
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18           The Cost of Service methodology currently approved by the Board is based on  
19           an isolated island scenario; therefore, Hydro is unable to complete the columns  
20           to reflect the Off-Island Purchases Deferral Account. Hydro notes in Board Order  
21           No. P.U. 36(2017), the Board acknowledged that running multiple cost of service  
22           studies to respond to a Request for Information would be onerous on Hydro and  
23           that Hydro would not be able to provide answers in the timeframe required.

**Table 1 Summary of Off-Island Purchases Deferral Account**

	2018		2019	
	With Off-Island Purchases Deferral Account	Without Off-Island Purchases Deferral Account	With Off-Island Purchases Deferral Account	Without Off-Island Purchases Deferral Account
Hydro Rural Residential Rate (¢/kWh)		12.5		13.3
Magnitude of Rural Deficit (\$ millions)		68.09		73.19
Rural deficit allocated to Newfoundland Power (NP) customers (\$ millions)		65.45		70.28
Rural deficit allocated to Labrador Interconnected customers (\$ millions)		2.64		2.91
Revenue derived from NP customers		530.67		545.39
Cost of serving NP customers		465.23		475.10
Revenue/cost ratio of NP customers		1.14		1.15
Revenue derived from Labrador Interconnected customers		21.43		22.56
Cost of serving Labrador Interconnected customers		18.78		19.65
Revenue/cost ratio of Labrador Interconnected customers		1.14		1.15

1           b) Hydro does not consider cost savings arising from avoided Holyrood generation  
2           or the costs associated with off-island purchases in its application, outside of  
3           the proposal for an Off-Island Purchases Deferral Account.

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5           c) Please refer to part b).

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1 d) Hydro confirms that Muskrat Falls Project costs will not impact the Labrador  
2 Interconnected Customers' rates. In accordance with OC2013-343, these costs  
3 will be recovered through Island Interconnected rates. Order in Council OC2013-  
4 343 states that:

5 *Any expenditures, payments or compensation paid directly or*  
6 *indirectly by Newfoundland and Labrador Hydro, under an*  
7 *agreement or arrangement to which the Muskrat Falls Project*  
8 *Exemption Order applies... shall be included as costs, expenses or*  
9 *allowances, without disallowance, reduction or alteration of those*  
10 *amounts, in Newfoundland and Labrador Hydro's cost of service*  
11 *calculation in any rate application and rate setting process, so that*  
12 *those costs, expenses or allowances shall be recovered in full by*  
13 *Newfoundland and Labrador Hydro in Island interconnected rates*  
14 *charged to the appropriate classes of ratepayers...* [Emphasis  
15 added].