NLH-LAB-004

Q: Re: Pre-Filed Testimony of the Helios Centre (Mr. Raphals), page 2, Section 1.3

Labrador Industrial Transmission Rate:

"Hydro's current network addition policy is inadequate to address situations such as the one described above, as it classifies as common all assets that serve more than a single customer. As noted in our testimony in the hearing on the 2013 Amended GRA, the existing LITR should be modified to include a network addition policy that reflects FERC policy, which is designed to protect existing transmission customers from excess costs resulting from network upgrades that are needed in order to provide service to new users. If the expected new data centers in Labrador are not classified as industrial users and so do not take service under the LITR, it is important that a similar policy be adopted for general service customers as well."

Please provide examples of other jurisdictions with a network addition policy similar to that recommended by Mr. Raphals for distribution level customers.

A. The following is the response of Mr Phil Raphals:

BC Hydro's electric tariff specifically provides for system improvement fees for distribution voltage customers taking service at 35 kV or less. Regarding these customers, the tariff provides:

> 8.3 Extension Fee for Rate Zone I
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> No Extension will proceed until the Customer has paid to BC Hydro the Extension Fee in accordance with this section. The Extension Fee is the Estimated Construction Cost of the Extension less the maximum contribution that BC Hydro is prepared to make toward the Extension. If BC Hydro's maximum contribution is greater than the Estimated Construction Cost of the Extension, the Extension Fee will be zero. No difference between BC Hydro's maximum contribution and the Estimated Construction Cost of the Extension may be used to reduce the Customer's Service Connection charge. …
>
> For new Service to a Premises with total expected Maximum Demand of more than 500 kVA, the Estimated Construction Cost of the Extension will include associated System Improvement Costs.
>
> For new Service to a Premises that:
>
> 1. Has a total expected Maximum Demand equal to or greater than 10,000 kW; and
>
> 2. Requires, in whole or in part, additions or alterations to BC Hydro's existing

transmission system to provide Service via BC Hydro's distribution system,

such additions or alterations will be deemed to be System Reinforcement (as defined in Electric Tariff Supplement No. 6) and the Customer will be subject to the following terms and conditions found in Appendix 1 of Electric Tariff Supplement No. 6:

Clause Number	Description
1(b)	Application and Overview
2	Definitions of Customer and System Reinforcement
4 (c),(d),(e)	Estimates and Agreed Maximum Cost
5	System Reinforcement
9 (a(i)), (c)	Right-of-Way
13	Security for Costs
14	Force Majeure Events

Where BC Hydro has determined that an applicant will Terminate Service or substantially reduce its load within the first 10 years of Service, or where an applicant may be subject to Electric Tariff Supplement No. 6 pursuant to this section and BC Hydro does not expect future Customers to connect to the Extension, BC Hydro may reduce its maximum contribution toward the Extension.[2] (underlining added)

Supplement No. 6 to the Electric Tariff consists of a standard Facilities Agreement, and its Appendix 1 describes the conditions applicable to System Reinforcement, which is defined as follows:

> System Reinforcement: Additions and alterations to existing B.C. Hydro Facilities, required to supply the Electricity to a Transmission Connection. Where an existing Transmission Connection supplies at least one other Customer, or other B.C. Hydro customers whose combined power demand exceeds five percent of the Nominal Capacity of the Transmission Connection, any additions and alterations shall be considered System Reinforcement. System Reinforcement shall not include any additions or alterations to generation plant and associated transmission, or transmission lines at 500 kV and over, unless the new or incremental loads exceed 150 MV.A. (underlining added)

While Appendix 1 refers only to Transmission Service customers, the passage quoted above demonstrates that its provisions are also applicable to distribution service customers.

However, the same effect can be achieved even if the network addition policy does not apply directly to distribution level customers, as long as it is applied to the distribution utility that serves those customers. In Quebec, for example, all retail electricity consumers are customers of HQ Distribution — even if they take service at transmission voltages. In other words, HQ

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[22] BC Hydro Electric Tariff, pages 8-1 and 8-2, https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/tariff-filings/electric-tariff/bchydro-electric-tariff.pdf

TransÉnergie's OATT does not apply directly to any Quebec consumers, even those industrials taking service at transmission voltage. Rather, it is HQ Distribution that takes transmission service on behalf of its customers.

When transmission network additions are made necessary by a new industrial customer, the OATT may require system upgrade contributions from HQ Distribution, thereby ensuring that other transmission customers — for example, wheel-through customers like Nalcor — do not see a rate impact resulting from those additions. Thus, should a large transmission investment be required to provide service to an HQ Distribution customer, HQD may be required to contribute to its capital cost. HQD can then recover that contribution from the customer that caused the addition through its service contract with that customer, to ensure that other users are not required to support that cost.