

1 Q. **Volume 1 (1<sup>st</sup> Revision), Chapter 6: Supplemental Evidence**  
2 Please provide a breakdown of all costs included in revenue requirement associated  
3 with interconnection to the North American grid for the approved 2015 test year,  
4 2015 and 2016 actuals, 2017 forecast and the 2018 and 2019 test years. For  
5 example, costs associated with (i) establishing the NLSO and (ii) capital expenditure  
6 that otherwise would not have been required. Please specify what costs are  
7 proposed to be included as part of the Off-Island Purchases Deferral Account.  
8 (Volume I (1st Revision), Chapter 6: Supplemental Evidence, Page 6.3, Line 4,  
9 et. seq.)

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12 A. Starting in 2016, Hydro and Nalcor have deliberately worked to remove costs,  
13 where possible, associated with interconnection from Hydro’s revenue requirement  
14 for 2018 and 2019, by having them funded by Nalcor or Emera. However, some  
15 costs remain. The following table contains a summary of interconnection costs.

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**Table 1 – Summary of Interconnection Costs (2015TY-2019 TY)**

	2015TY	2015A	2016A	2017F	2018TY	2019TY
<b>Pre-2017 costs<sup>1</sup></b>			-	-	-	-
-Salaries and Fringe Benefits	\$0.6M	\$0.9M	-	-	-	-
-Professional Services	\$0.4M	\$0.1M	-	-	-	-
-Travel	\$0.1M	-	-	-	-	-
-Building Rental and Maintenance	\$0.1M	\$0.1M	-	-	-	-
<b>Additional Energy Control Centre (ECC) operators<sup>2</sup></b>	-	-	-	\$0.6M	-	-
<b>Manager, Interconnection and Integration<sup>3</sup></b>	-	-	-	\$0.2M	\$0.2M	\$0.2M
<b>Software<sup>4</sup></b>	-	-	-	\$0.2M	\$0.2M	\$0.2M
<b>Loss on Disposal<sup>5</sup></b>	-	-	\$0.3M	-	-	-
<b>TOTAL<sup>6</sup></b>	\$1.2M	\$1.2M	\$0.3M	\$0.9M	\$0.4M	\$0.3M

<sup>1</sup> Pre-2017 costs are related to system planning work. Subsequent to 2015, the system planning work is being paid for by Nalcor.

<sup>2</sup> In 2017, five new operators were hired in the ECC. Subsequent to finalizing operating costs for the GRA, Nalcor agreed to pay for the cost of these operators until 2018. As a result, Hydro will incur no charges for these operators in 2017. In 2018 and 2019, these operators are required for operation of the Newfoundland and Labrador System Operator, including additional responsibility for the new assets (Maritime Link, Labrador-Island Link and Labrador Transmission Assets), and are expected to be paid for by Hydro.

<sup>3</sup> The Manager, Interconnection and Integration was a new, temporary position created in 2017. Hydro did not request Nalcor to pay for this role, as this role represents the interests of Hydro and its customers. The role did not result in a new FTE, as an existing employee was transferred into this role, and their position was not filled. Please refer to CA-NLH-112 for further information on this role.

<sup>4</sup> Open Access Technology International software is required to manage the interchange of energy with neighbouring provinces was paid for by Nalcor, however Hydro is responsible for annual maintenance fees beginning in 2017.

<sup>5</sup> To accommodate the interconnection of Muskrat and Emera assets, upgrades to Hydro's Island Interconnected System have been required. These upgrades have been paid for by Nalcor or Emera. However, in some cases this resulted in the retirement of Hydro's existing assets and a loss on disposal that impacted Hydro's revenue requirement.

<sup>6</sup> Totals may appear inaccurate due to rounding.