

1 Q. **Reference: Network Addition Policy**

2 Preamble:

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4 Because the increments of transmission expansion projects are “lumpy”, it is possible that a  
5 relatively small demand request may result in the need to proceed with a relatively large  
6 expansion project.

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8 For a hypothetical situation where a 5 MW demand request results in a \$20 M expansion  
9 project, please estimate:

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11 a) the Upstream Capacity Charge that would be required of the customer,

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13 b) the resulting annual revenue requirement increase,

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15 c) the annual revenue requirement increase that would be borne by existing customers,  
16 and

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18 d) the resulting average rate increase, once the capital cost is fully included in rate base.

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21 A. a) Newfoundland and Labrador Hydro (“Hydro”) cannot determine the Upstream Capacity  
22 Charge for the hypothetical situation provided. Hydro would need to know the details on  
23 the capital project to compute its value to existing customers. The value to existing  
24 customers would be deducted in computing the Upstream Capacity Charge.

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26 b) Without knowing the Upstream Capacity Charge to be recovered from the requesting  
27 customer, Hydro cannot provide the requested information.

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29 c) Please refer to the response in Part b).

- 1            d) Please refer to the response in Part b).