

1 Q. **Reference: Newfoundland and Labrador Hydro 2018 Cost of Service Methodology Review**
2 **Report, November 15, 2018, Page 4, Lines 3-11.**

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4 *“This development gives rise to the obligation for Hydro and its affiliated transmission*
5 *owners to provide open, non-discriminatory access to transmission service on transmission*
6 *lines used for inter-provincial trade by third parties. This requirement is established by the*
7 *Federal Energy Regulatory Commission (“FERC”), which is an independent agency that*
8 *regulates the transmission of electricity in the United States. To meet the FERC requirement*
9 *of reciprocity, Hydro must provide comparable open access to transmission service over the*
10 *interprovincial transmission system within Newfoundland and Labrador. From a cost of*
11 *service perspective, FERC requires that Hydro record its transmission costs in a manner that*
12 *can be used in the determination of open access transmission tariffs.”*

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14 Is it Hydro’s position that its cost of service methodology relating to the LIL and LTA is
15 determined or limited by FERC requirements? If so, please explain.

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18 A. No. It is Newfoundland and Labrador Hydro’s (“Hydro”) position that the Board of
19 Commissioners of Public Utilities (the “Board”) has the authority to establish the Cost of
20 Service functionalization and classification of Hydro’s assets.

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22 The Federal Energy Regulatory Commission (“FERC”) does not prescribe how transmission
23 rates are to be calculated; its only requirements with respect to transmission rates are that
24 all customers receiving the same service should be charged the same rate and that the
25 methodology for rate design be transparent.

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27 From a transmission tariff development perspective, it is Hydro’s position that once the
28 Board has determined which assets are to be functionalized as transmission, the
29 transmission tariff of the Newfoundland and Labrador System Operator would be
30 calculated reflecting the Board’s decision.