

**NLH-LAB-012.** Re: “Newfoundland and Labrador Hydro’s Proposed Network Addition Policy and Transmission Expansion Study”, Section 1.3, page 8. “The full costs of the MFHVI will be borne by ratepayers, with no capital contributions from the “data centre” customers that, to a large extent, made it necessary. This would not have been the case had the proposed NAP been in force at the time, and similar situations are unlikely to occur in the future if the proposed NAP (or a variant thereof) is approved by the Board of Commissioners of Public Utilities.”

In Board Order No. P.U. 9(2019) the Board of Commissioners of Public Utilities stated that “The Board of Commissioners of Public Utilities finds that the Project is reasonable and necessary to provide reliable service and meet load requirements and that it should be approved”. Please confirm that as the main justification for the Muskrat Falls Happy Valley Interconnection Project is reliability for the existing customer base, as accepted by the Board of Commissioners of Public Utilities, had the Network Additions Policy been in force at the time that the Muskrat Falls Happy Valley Interconnection Project was approved, the majority of the costs would be borne by ratepayers.

**RESPONSE:**

Mr. Raphals states:

Not confirmed. While P.U. 9(2019) quotes Hydro’s assertion that “the main justification for the Muskrat Falls Happy Valley Interconnection Project is reliability for the existing customer base”, the Board’s findings do not repeat this formulation. Rather, the Board wrote (at page 8):

The Board is satisfied that the information filed by Hydro shows that there are both reliability and capacity concerns in Labrador East, and that the Project is the least-cost alternative to address these concerns. The Board finds that the Project is reasonable and necessary to provide reliable service and meet load requirements and that it should be approved. (underlining added)

On pages 18-21 of my report, I explored several hypothetical situations in which it was assumed that the proposed NAP was in force at the time when the decision to proceed with the MFHVI project was undertaken. Specifically, I looked at the treatment of an addition of a 10 MW “data centre” load in Labrador East, under the further counterfactual assumption that the 6.2 MW of “data centres” that currently have service contracts in Labrador East did not exist.

Reviewing the load forecasts presented to the Board in its review of the MFHVI project, it is clear that, if the 6.2 MW of “data centres” that currently have service contracts in Labrador East did not exist, the capacity concerns mentioned by the Board would not have been present. One therefore cannot presume, on the basis of the text of P.U. 9(2019), that under such circumstances the project would have been approved.

Under this scenario, the example discussed on pages 19-20 of my report is relevant. Hydro, in LAB-NLH-101, identified a \$4.4 million UCC applicable to the new 10 MW “data centre” load, composed primarily of temporary generation for planned maintenance. My analysis found that, had this new 10 MW load been proposed under the proposed NAP and prior to the 6.2 MW of “data centres” that currently have service contracts in Labrador East, it would have advanced the need for a capacity addition (the MFHVI). That would have led to adding either \$9.7 million or \$19.3 million in advancement costs to the UCC, depending on whether or not MFHVI was deemed necessary to meet the baseline load forecast within the planning horizon. (These figures do not take into account the reduction in EUE.)