

1 **Q: Reference: “Review of Existing and Proposed Network Additions Policies for**
2 **Newfoundland and Labrador Hydro,” The Brattle Group, November 19, 2019,**
3 **Executive Summary, Summary of Recommendations and Comparisons, p. 7.**
4

5 **For customers that select Option A, these customers paying for**
6 **network upgrades should be eligible for additional refunds as**
7 **additional customers join the system over a pre-determined time**
8 **horizon.**
9

10 **a) Please describe the methodology that Brattle proposes for computation of**
11 **refunds.**
12

13 **b) What term of refund eligibility does Brattle propose for the customer that**
14 **paid the original contribution?**
15

16 **c) What considerations are relevant for the definition of an appropriate time**
17 **horizon?**
18

19 A. a) The calculation of refunds requires two steps:
20

- 21 1. The calculation of funds available for re-allocation based on asset
22 depreciation, and
- 23 2. The allocation of said funds to customers
24

25 The funds available for re-allocation are based on the remaining value of the
26 first customer’s upfront payment. Brattle recommends that the re-allocation of
27 the remaining value be based on the appropriate transmission allocator most
28 related to the requirement for transmission investment, whether that be peak nor
29 non-coincident peak demand.
30

31 For example, if a customer contributes \$100,000 to the cost of upgrades, and
32 the network upgrade assets depreciate 10%, the value available to a re-allocate
33 to a second customer in year two would be \$90,000. If both the first and second
34 customers have equal billing units for the transmission allocator, then the
35 \$90,000 would be allocated evenly, resulting in a refund of \$45,000 to the
36 original customer and a payment of \$45,000 to the second customer.
37

38 This same process could be repeated for the security except that the amount
39 available for re-allocation would be based on the outstanding amount of
40 security, which is not tied to the asset depreciation.

1 b) The term for eligibility is related to the level of revenues required to be provided
2 as security, the practicality and costs of implementation, and the depreciation
3 of the asset. Of the three Canadian jurisdictions that included similar
4 provisions, the time horizons ranged from 7 to 20 years.

5
6 If Hydro were to expect a large number of customers over the size threshold,
7 then the policy may become complex to administer over a longer time horizon.
8 However, using a size threshold of 200 kW, Hydro has stated in response to
9 NP-NLH-035 that it “would not expect a large number of new customers” and
10 that only 7% of Hydro’s customers currently meet the 200 kW threshold.

11
12 c) Please refer to the response in part b.