

1 Q. Please explain how Hydro will consider the principle of betterment in the application of its
2 proposed Labrador Interconnected System Network Additions Policy?

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5 A. Regulation 9(c) of the Schedule of Rates, Rules and Regulations requires the consideration of
6 betterment in determining the charge to apply to customers for investment in special facilities
7 and relocations. The regulation states “where special facilities are required or requested by the
8 Customer or any facility is relocated at the request of the Customer, the Customer shall pay
9 Hydro the estimated additional cost of providing the special facilities and the estimated cost of
10 the relocation less any betterment.”

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12 The application of a betterment credit is also required in the administration of the Contribution
13 in Aid of Construction Policy in determining customer charges for distribution plant extensions
14 and distribution upgrades.

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16 Newfoundland and Labrador Hydro (“Hydro”) is required to apply a betterment credit to reduce
17 the amount charged to a customer for an asset upgrade if the new asset is providing benefit to
18 both the customer requesting the system modification and the general customer population.
19 For example, if a customer is to be charged for the replacement of a 20-year-old pole with a new
20 pole (with an assumed 40-year life), a downward adjustment is applied to the charge the
21 customer must pay for the new pole to reflect the benefit of the pole’s life extension to the
22 general customer population.¹

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24 While Hydro’s proposed Labrador Interconnected System Network Additions Policy does not
25 explicitly address the application of a betterment credit in cases of extended asset life benefit to
26 the general customer population as a result of a transmission upgrade, Hydro believes it is
27 appropriate to consider the requirement of Regulation 9(c) and apply betterment in determining
28 the contribution to be required from the customer initiating the transmission upgrade.

¹ The calculation of the betterment credit is based on the depreciation assumptions reflected in the determination of the Test Year revenue requirement.