

1 Q. **Reference page 6, lines 7-9, *Network Additions Policy Review***

2 Does Hydro believe that the share of peak demand consumed by a customer is not an
3 economically reasonable measure of the benefit that accrues to the customer?
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6 A. No. Newfoundland and Labrador Hydro (“Hydro”) believes it is appropriate to continue to use
7 peak demand in the allocation of demand-related costs of transmission common facilities
8 currently in place among customer classes. However, Hydro also believes that applying the
9 beneficiary pays principles through the proposed Network Additions Policy is a reasonable
10 approach to sharing the costs of new transmission facilities arising from new load requests on
11 the Labrador Interconnected System. Please refer to Hydro’s response to PUB-NLH-079. Current
12 methods assign all costs of incremental common facilities to a single customer or include such
13 costs within the pool of common facilities which, in turn, are allocated on the basis of peak
14 demand share.

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16 Hydro notes that, under the proposed “Labrador Interconnected System – Network Additions
17 Policy,”¹ it is proposing contributions from upstream capacity charges be deducted in
18 determining the incremental changes to common facilities for use in the computation of
19 revenue requirement.

¹ Filed as part of the “Labrador Interconnected System Network Additions Policy Summary Report,” December 14, 2018.