

1 Q. Reference page 4 lines 24-25 and page 5, lines 1-2, *Labrador Interconnected System Network*
2 *Additions Policy Summary Report*

3 Why does Hydro believe that the approach is consistent with the beneficiary pays approach?
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6 A. Under the policy proposal summarized in section 2.3.1 of Newfoundland and Labrador Hydro's
7 ("Hydro") "Labrador Interconnected System Network Additions Policy Summary Report"¹ on the
8 proposed Network Additions Policy, a portion of the common transmission costs for network
9 additions will be recovered through an up-front contribution from the customers requesting
10 the load and the remainder will be recovered from all customers (including the new
11 customer) through published customer rates. Hydro believes it is likely that new customers
12 whose load requirements precipitate new additions to common facilities realize a greater
13 share of incremental benefits than the share of total benefits implied by the allocation of
14 costs according to peak demands. The proposed Upstream Capacity Charge approach
15 follows accordingly: the customers requesting load additions which precipitate investment
16 by Hydro in new common facilities will pay an up-front contribution to reflect the greater
17 share of the incremental benefits they are receiving. Therefore, Hydro believes that its
18 proposed approach is consistent with the beneficiary pays approach (i.e., charges for a
19 project should be apportioned to reflect benefit shares).

¹ Filed with the Board of Commissioners of Public Utilities on December 14, 2018.