

- 1 Q. **Reference page 7, lines 16-20, *Labrador Interconnected System Network Additions Policy***
2 ***Summary Report***
- 3 a. Explain the time horizon over which transmission projects would be included in the
4 Expansion Advancement Cost.
- 5 b. Explain why this time horizon is appropriate.
- 6 c. Explain if and why the time horizon used to develop the Expansion Advancement Cost
7 differs from the five-year distribution capital plan used to determine cost allocation for
8 distribution system modifications resulting from new service requests.
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- 11 A. a. and b. System impact studies are performed over a 25-year time horizon. This value
12 reflects a balance of considerations including the lives of transmission assets (which can extend
13 as long as 65 years), load forecast accuracy, and cost estimate accuracy. Newfoundland and
14 Labrador Hydro (“Hydro”) performs an annual assessment that prescribes a baseline expansion
15 plan for a 10-year time horizon. If a requirement for a transmission system addition is identified,
16 an analysis is performed to assess the capital costs, operating costs, and benefits for all
17 technically viable alternatives over a 25-year period. Such an approach allows for the
18 assessment of the long-term implications of transmission system expansion alternatives.
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- 20 c. The calculation of expansion advancement cost involves a different process than the
21 procedure for determining cost allocation for distribution system modifications. A description of
22 the distribution line extension contribution policy is provided in the “Network Additions Policy
23 Review.”¹ The utility considers its 5-year capital plan when determining whether the investment
24 cost should be borne by the customer requesting service or by all customers (through customer
25 rates). If a customer load request prompts a system modification that is already included in the
26 5-year capital plan, the customer may not be charged for the upstream system modifications.
27 However, the costs incurred for a distribution extension are generally materially lower than the
28 cost of accelerating a transmission system upgrade. Therefore, Hydro believes the materiality of
29 the costs incurred for transmission investment and the resulting potential impact on customer

¹ “Network Additions Policy Review,” October 1, 2018, sec. 2.1, at pp. 2–4.

1 rates support a different treatment of transmission assets in its proposed network additions
2 policy.

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4 For distribution system modifications, Hydro's 5-year distribution capital plan includes all
5 expected distribution system upgrades to Hydro's system to accommodate forecasted load. This
6 calculation involves near-term costs and forecasts that have a high degree of confidence to
7 allow for precise cost allocation. In contrast, the proposed methodology for the calculation of
8 the expansion advancement cost is a process that has been developed as a means to
9 approximate costs associated with system expansion requirements that may arise due to
10 unforeseen load growth above the baseline forecast. This procedure is based on the analysis
11 presented in the "Labrador Interconnected System Transmission Expansion Study"² where
12 solutions were developed for a range of load growth scenarios in eastern and western Labrador.
13 As indicated previously, a 25-year study period is required to assess the life cycle costs and the
14 long-term implications of these solutions.

² "Labrador Interconnected System Transmission Expansion Study," April 3, 2019 (rev. 2), originally filed on October 31, 2018.