

1 Q. **Reference page 8, lines 4-11, *Labrador Interconnected System Network Additions Policy***
2 ***Summary Report***

3 a. Explain the basis for the service life of an industrial customer of 25 years.

4 b. Provide all supporting workpapers.

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7 A. **a. and b.** The choice of a service life of 25 years is a matter of judgement which attempts to
8 balance the entitlement of new Labrador Industrial Customers to a demand revenue credit while
9 considering the risk to existing customers of being required to fund this demand revenue-based
10 investment if the new industrial customer maintained operations less than 25 years. The longer
11 the assumed service life for an industrial customer that is reflected in the Network Additions
12 Policy, the higher the demand revenue credit per kW to be provided to reduce the Upstream
13 Capacity Charge from a new industrial customer. Therefore, increasing the service life to greater
14 than 25 years would require a higher common transmission cost to be reflected in the revenue
15 requirement and recovered through rates from all customers on the Labrador Interconnected
16 System. Please refer to Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-
17 062 of this proceeding for the calculation of the demand revenue credit.

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19 In general, given the material investment required to establish a large resource-based industrial
20 operation in Labrador, Hydro believes most potential industrial customers would be considering
21 a long-term operation to make such a business venture profitable. Hydro notes that the existing
22 industrial facilities in Labrador have been in service for more than 25 years.¹

¹ Wabush Mines closed operations in 2014 but is currently ramping up its load requirements under new ownership by Tacora Resources Inc.