

1 Q. Please refer to “Labrador Interconnected System Network Additions Policy Summary Report” at
2 4-5, which states: “Any funds contributed through the Upstream Capacity Charge will be used to
3 reduce customer impacts that would occur as new transmission investments are required to
4 serve load growth.”

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6 Please explain how Hydro proposes to treat funds collected under Upstream Capacity Charges
7 based on the Expansion Cost per kW and that are not needed to fund an immediate investment.

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10 A. As per NP-NLH-036, in Newfoundland and Labrador Hydro’s (“Hydro”) application for revisions
11 to its Cost of Service Methodology, filed with the Board of Commissioners of Public Utilities on
12 November 15, 2018, Hydro recommended that any contributions from customers as a result of
13 implementation of a new Network Additions Policy be deducted from the rate base in
14 determining test year revenue requirement. The proposed approach is consistent with the
15 current approach used in treating customer contributions.

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17 Contributions that are not related to any asset in service would be reflected in Hydro’s work in
18 progress. Upon completion of the asset and the inclusion in rate base the corresponding
19 contribution would be net against rate base and depreciated at the same rate.