

1 Q. **Reference: 2018 Utility Customer Interim Rates Application; LAB-NLH-085, rev. 1**  
2 **(page 4 of 4)**

3  
4 Citation:

5 Q. f): Please indicate where in the Additional Cost of Service Information for the  
6 Deferral Account Scenario and/or the Expected Supply Scenario the amounts to  
7 be paid to NLSO for Network Integration Transmission Service are found or, if  
8 they are not included therein, why not.

9  
10 A. f) The 230 kV transmission asset costs reflected in the approved transmission  
11 tariffs reflect a subset of the total costs provided in Hydro's Test Year revenue  
12 requirements in its GRA.

13  
14 Preamble:

15 Schedule 1.1, page 2 of 2 of the Cost of Service study indicates the Average Net  
16 Book Value of Hydro's Rate Base (row 1, column 2), at 2,068,791, 061 for 2018.

17  
18 Schedule 1.1, page 2 of 2 of the Cost of Service study indicates the Average Net  
19 Book Value of Hydro's Rate Base for the Labrador Interconnected System (row  
20 1, column 7), at \$115,413,976 for 2018.

21  
22 a) Has the evaluation of Average Net Book Value of Hydro's Rate Base in Schedule  
23 1.1 of Exhibits 14 and 15 been updated in the Utility Customer Interim Rate  
24 Application? If it has, please indicate where. If not, why not?

25  
26 b) Please indicate what portion of the Net Book Value of Hydro's rate base  
27 represents transmission assets of 230 kV or greater.

- 1 c) Please indicate what portion of the Net Book Value of Hydro's rate base in  
2 Labrador represents transmission assets of 230 kV or greater.  
3
- 4 d) Please indicate whether the assets mentioned in response to subrequests b)  
5 and c) are still part of Hydro's rate base, or whether they are now part of NLSO's  
6 rate base.  
7
- 8 e) Please indicate whether the capital costs associated with transmission assets of  
9 230kV or greater are included in calculating the Return on Rate Base in Hydro's  
10 Cost of Service studies?  
11
- 12 f) If they are, please explain how the same assets can be part of both Hydro's rate  
13 base and that of the NLSO.  
14  
15
- 16 A. a) The average net book value of Hydro's Rate Base provided in Exhibit 14 was  
17 updated in the Additional Cost of Service Information filed March 22, 2018 to  
18 reflect the changes resulting from the Asset Functionalization Review report  
19 filed on December 21, 2017. The Additional Cost of Service Information and the  
20 2017 GRA filing provided the basis for the 2018 Utility Customer Interim Rates  
21 Application.  
22
- 23 b) Hydro's 230 kV transmission and terminal assets comprise approximately 20%  
24 of Hydro's total Rate Base.  
25
- 26 c) The net book value of the 230 kV transmission assets in Labrador comprises  
27 approximately 3% of Hydro's rate base on the Labrador Interconnected System.

1 d & f) The 230 kV transmission asset costs included in the approved transmission  
2 tariffs reflect a subset of the total transmission asset net book values  
3 included in Hydro's rate base. While the asset costs included in determining  
4 the transmission tariffs are under the operational control of the  
5 Newfoundland and Labrador System Operator (NLSO), the NLSO does not  
6 own the transmission assets.<sup>1</sup>

7  
8 Through the application of the approved transmission tariffs, the NLSO  
9 recovers the cost of Hydro's common 230 kV transmission assets from  
10 transmission customers that are subject to the open access transmission  
11 tariff (including Hydro). While Hydro is required to pay the Network Services  
12 rate, Hydro will be reimbursed its Network Service rate charges through the  
13 disbursement of Network Service rate revenues from the NLSO. Please refer  
14 to Hydro's response to LAB-NLH-085.

15  
16 If the NLSO point-to-point transmission tariffs results in additional revenues  
17 from third parties flowing over the NL transmission system, the additional  
18 revenues will flow to the transmission owners that incur costs related to the  
19 230 kV common transmission assets. In establishing the process for final  
20 transmission tariffs, the Board has jurisdiction to deal with the process to  
21 determine how these additional revenues impact Native Load customers.

22  
23 e) The capital costs associated with Hydro's 230 kV transmission assets are  
24 included in calculating the Return on Rate Base in Hydro's Test Year Cost of  
25 Service studies using the methodology approved by the Board.

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<sup>1</sup> The NLSO also manages transmission at voltages lower than 230 kV (such as in Labrador East) as well as carrying out generation dispatch for Hydro.