

1 Q. **Re: IN-NLH-038**

2 "A distribution asset would be specifically assigned to an Industrial Customer or
3 Newfoundland Power if Hydro was requested to construct such distribution asset(s)
4 and the customer (either an Industrial Customer or Newfoundland Power) was the
5 only customer receiving benefit from the distribution asset(s). This is not a common
6 practice as Hydro's delivery points to an Industrial Customer or Newfoundland
7 Power are at a transmission voltage level with the individual customer taking
8 responsibility for its own local distribution assets." (p. 1, lines 22-25)

9 In the event that a distribution asset is specifically assigned to Newfoundland
10 Power, please indicate whether there exist any laws, regulations or Board decisions
11 which would prevent Newfoundland Power from assigning the costs of that asset in
12 turn to the specific customers who benefit from it.

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15 A. Hydro does not have distribution level assets from which it serves Newfoundland
16 Power so the question is hypothetical. The essence of the question can, however,
17 be addressed if service to Newfoundland Power from Hydro's transmission assets is
18 considered.

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20 While Hydro is not aware of any laws or regulations which would prevent the
21 assignment of asset-specific costs in the manner suggested, this approach would be
22 a departure from established public utility practice in this jurisdiction. To explain,
23 Hydro does have transmission assets that are specifically assigned to Newfoundland
24 Power but Hydro includes in its Cost of Service for Newfoundland Power its costs
25 for that class of assets in aggregate (e.g. transmission) and those costs are allocated
26 to demand and energy costs and are, in turn, recovered through the demand and
27 energy rate Hydro charges to Newfoundland Power. Hydro's transmission costs

- 1 that are assigned to Newfoundland Power are not kept in a granular manner so as
- 2 to permit rate making based upon Hydro's specific assets.