

1 Q. **Reference:**

2 a) Reconcile and explain why the economic analysis for least cost evaluation is based on a 20-
3 year period with the CIAC customer indicating an anticipated service life of 35 years for the
4 mine.

5 b) Provide the information supplied by the CIAC customer in relation to the mine having an
6 anticipated service life of 35 years.

7 c) Provide, in a table format, the calculated load-based investment for an anticipated service
8 life of 15, 20, 25, 30 and 35 years for the mine.

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11 A. a) The economic analysis for the least-cost evaluation is based on a 20-year period to align
12 with Newfoundland and Labrador Hydro's ("Hydro") standard 20-year long-term forecast
13 projections, and 20-year capital plan. In the least cost evaluation model, the book value of
14 assets at the end of the study period are included as terminal values to account for the
15 value of alternatives that include assets with different in-service lives.

16 b) The request for service received from Pennecon, and attached to Hydro's Application as
17 Schedule 3, listed the expected service life as 35 years in line 9 of that request for service.

18 c) As set out in the General Service Contribution in Aid of Construction ("CIAC") Policy and the
19 CIAC Handbook, in cases where the customer service life is significantly less than the
20 anticipated asset life, the Additional Load-Based Investment is reduced by 2.5% for each
21 year that the anticipated service life is less than the depreciable life of the distribution
22 assets of 37.6 years. The reductions below in Table 1 are shown strictly in accordance with
23 the policy methodology for illustrative purposes.¹

¹In this case, no reduction was applied at 35 years because the 2-year difference was considered immaterial.

Table 1: Load Based Investment for Various Service Lives

Anticipated Service Life	Calculated Load Based Investment
35	\$695,640
30	\$602,640
25	\$509,640
20	\$416,640
15	\$323,640