

1 Q. The CIAC Handbook, dated July 1, 2016, defines betterment at page 2:

2 “Betterment means a substantial improvement of existing structures, facilities or equipment.
3 Betterment includes the replacement or improvement of parts which has the effect of extending
4 the useful life of the property, increasing its capacity, lowering its operating cost, or otherwise
5 adding to its worth through the benefit it can yield.”

6 And also states, at page 33:

7 “Betterment Credit: If a line upgrade for a customer requires the Company to remove existing
8 plant and replace it with new plant, the customer will receive a credit towards the cost of this
9 new plant. The credit compensates the customer for the extended life the Company will gain
10 from the installation of new plant.

11 Betterment should be considered for all new plant with the exception of transformers that are
12 removed and placed back into Stores.”

13 Explain how the betterment credit, which has been applied to the CIAC calculation for additional
14 capacity being available on the EHW system, is supported by the criteria of the customer being
15 compensated for the extended life gained from the installation of new plant.

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18 A. Newfoundland and Labrador Hydro (“Hydro”) notes that the cited definition of betterment
19 includes replacement or improvement of parts which has the effect of increasing the capacity of
20 the existing structures, facilities, or equipment. While the Contribution in Aid of Construction
21 handbook sets out specific criteria in cases whereby the life of the asset is extended, Hydro does
22 not interpret such cases to be exclusive with regards to the application of a betterment credit.
23 Consistent with the cited definition of betterment, Hydro believes the application of a
24 betterment credit is warranted in cases where modifications to the system provide material
25 incremental capacity above and beyond that required by the specific customer

- 1 request. This approach ensures fairness by allocating the costs of the incremental capacity to
- 2 those customers who will benefit from the modifications.