

1 Q. Further to the response to PUB-NLH-002, please explain why it is appropriate for the new
2 customer to realize the full benefit of the efficiencies of aligning the work of the CIAC and the
3 Upgrade Worst-Performing Distribution Feeders (2025–2027) program. Explain if the efficiencies
4 can be divided to benefit other customers as well.

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7 A. The Worst-Performing Feeders Program¹ is driven by system reliability needs that benefit all
8 customers on the affected system, not by the new customer's load requirements. If the Worst-
9 Performing Feeders Program was completed, with the Contribution in Aid of Construction
10 ("CIAC") work to then begin, the increased costs would all fall to the CIAC customer but there
11 would have been no increased costs to the Worst-Performing Feeders Program of proceeding in
12 this manner.

13 As a result of aligning the work of the CIAC and the Worst-Performing Feeders Program, the
14 CIAC customer does not bear costs that are already included in the approved Worst-Performing
15 Feeders Program, such as temporary generation required to maintain service during feeder
16 upgrades. Those costs are appropriately recovered through rates, as they would have been
17 incurred regardless of the customer's request. The customer is required to bear all incremental
18 costs attributable solely to its service requirements, including the incremental cost associated
19 with installing a larger conductor size than would otherwise have been required under the
20 Worst-Performing Feeders Program scope.

21 Given this separation between base system investment and customer-driven incremental
22 investment, there is no practical or equitable basis to further divide the efficiencies between the
23 new customer and other customers. Other customers already benefit through the execution of
24 the Worst-Performing Feeders Program itself, while the CIAC customer benefits only to the
25 extent that it avoids costs that Hydro would have incurred in any event. This approach is

¹ Please refer to Upgrade Worst-Performing Distribution Feeders (2025–2027) program ("Worst Performing Feeders program"), which was included as Program 2 of the 2025 Capital Budget Application, Newfoundland and Labrador Hydro, July 16, 2024. In the 2026 Capital Budget Application, Newfoundland and Labrador Hydro ("Hydro") recategorized the Upgrade Worst Performing Distribution Feeders program to a project.

- 1 consistent with CIAC principles that ensure Hydro's investment is compensatory, avoids cross-
- 2 subsidization, and assigns costs based on causation.