

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 Program<sup>1</sup> 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

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<sup>1</sup> 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.