

1 Q. **Reference: Application**

2 Explain how Hydro determined that each methodology change since the approved 2017 GRA
3 improves the overall allocation of costs within the integrated provincial electricity system, rather
4 than improving the allocation of an individual cost component in isolation. As part of the
5 response, explain how Hydro assessed the cumulative impact of the proposed methodology
6 changes on overall class revenue responsibility. If not, explain why not.

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9 A. Since the 2017 General Rate Application ("GRA"), the Island Interconnected System has
10 transitioned from an Isolated system with the Holyrood Thermal Generating Station as the basis
11 for marginal cost, to an integrated system connected to the North American grid in which
12 Muskrat Falls is the marginal cost on the system. The resulting cost structure of the integrated
13 system differs materially from that which existed at the time of the 2017 GRA. As a result, a
14 direct comparison of individual methodology changes against the 2017 cost allocation
15 methodology would not provide a meaningful assessment of whether overall cost allocation has
16 improved.

17 The approved methodology changes since the 2017 GRA were approved in the Board of
18 Commissioners of Public Utilities ("Board") Order No. P.U. 37(2019) and Order No.
19 P.U. 14(2026). Newfoundland and Labrador Hydro did not perform a separate assessment of the
20 cumulative impact of all methodology changes since the 2017 GRA on overall class revenue
21 responsibility. Rather, the cumulative effect of approved methodology changes are inherently
22 reflected in the cost of service studies prepared using the approved methodologies at the time
23 of each review and before the Board for review through the GRA process.