

1 Q. **Reference: PUB-NLH-036, PUB-NLH-101 and PUB-NLH-106; CA-NLH-037 and CA-NLH-038;**
2 **OC2013-343, clauses 1 and 3(a), as amended by OC2022-120**

3 a) Break down the 207 GWh associated with Maritime Link export flows by contractual
4 export category, including Energy and Capacity Agreement deliveries. Identify
5 responsibility for losses, the seller, beneficiary and recipient of proceeds. Trace the
6 volumes and costs through domestic allocations and export netbacks, distinguishing
7 embedded costs from opportunity value. Explain any limits on this breakdown.
8 Reconcile PUB-NLH-106(a) and (c) on domestic treatment of export losses, and reconcile
9 Table 1's printed 0.484 energy allocator with its dollar allocations.

10 b) Identify the costs or payments to which clause 3(a) of OC2013-343 applies and show
11 where they are excluded from Hydro's cost-of-service calculation and recovery in Island
12 Interconnected rates, including any amounts outside the \$780.4 million supply-cost line.
13 Explain the contractual and factual basis for treating other amounts as outside that
14 exclusion.

15 c) Calculate an alternative allocation that assigns export-related losses to exports before
16 determining domestic loss factors, using the filed physical operating forecast and
17 unchanged contractual payments. Show the effects on customer classes, the rural deficit
18 and net export credits, including both sides of regulated/non-regulated transfers.
19 Explain how double counting of loss energy is avoided.

20
21 A. a) In the 2027 Test Year, approximately 40% of the deliveries over the Maritime Link are
22 associated with the Energy and Capacity Agreement. All other deliveries are market based
23 exports that are attributable to Muskrat Falls Excess generation.

24 As described in Newfoundland and Labrador Hydro's ("Hydro") response to part d) of
25 PUB-NLH-036 of this proceeding the total system losses in a scenario without any Maritime
26 Link exports were reduced by 41%, while the 207 GWh component related to flows over the
27 Maritime Link make up 63% of the Island Interconnected System losses in 2027 Test Year.

1 This indicates that Island Interconnected System losses cannot be directly allocated to
2 specific Maritime Link export activities as the portion of losses associated with on-Island
3 generation and on-Island load changes under different export conditions.

4 The export losses are not specifically attributable to a specific source. The energy dispatched
5 at Muskrat Falls for export includes the Nova Scotia Block (985.46 GWh) and Muskrat Falls
6 Residual Block (1,553.07 GWh).

7 The Statement in Hydro's response to parts a) and c) of PUB-NLH-106 of this proceeding on
8 the domestic treatment of export losses relates to Hydro's Cost of Service Study, where
9 there is no direct allocation to domestic load. Any portion allocated to Rural Island
10 Interconnected is allocated to the deficit and not a direct impact on domestic load classes.

11 The 0.484 allocator should have been 0.8484 as shown in Schedule F 3.1A Basis of Allocation
12 to Classes of Service.

13 **b)** Section 3 (a) of the Order in Council provides that, notwithstanding Section 1, costs may not
14 be included in Hydro's Cost of Service if they are *"directly attributable to the marketing or*
15 *sale of electrical power and energy by Newfoundland and Labrador Hydro to persons located*
16 *outside the province on behalf of and for the benefit of Muskrat Falls Corporation and not*
17 *Newfoundland and Labrador Hydro."* Accordingly, any costs paid by Hydro under the
18 Muskrat Falls agreements to Muskrat Falls, Labrador-Island Link, or the Labrador
19 Transmission Assets entities that are directly related to the marketing or sale of power
20 outside the province on behalf of Muskrat Falls Corporation cannot be included in Hydro's
21 Cost of Service.

22 There are no costs or payments to which Clause 3(a) of OC2013-343 applies included in
23 Hydro's \$780.4 million 2027 Test Year Muskrat Falls supply costs or elsewhere in Hydro's
24 2027 Test Year Cost of Service. Accordingly, no such amounts are recovered through Island
25 Interconnected rates.

26 Clause 3(a) addresses costs directly attributable to the marketing or sale of electrical power
27 and energy by Hydro to persons outside the province on behalf of and for the benefit of

- 1 Muskkrat Falls Corporation, not Hydro. Costs meeting that description are not costs of
2 Hydro's regulated service and are excluded from Hydro's cost of service.
- 3 c) As stated in part a), losses on the Island Interconnect System could vary depending on the
4 Maritime Link activity. To demonstrate the impact of reducing the allocated losses on the
5 Island Interconnected System, Table 1 shows the impact on customer classes of reducing
6 losses by 100 GWh while holding all other variables constant.

Table 1: Class Variances resulting from 100 GWh Reduction in Losses (\$)

Rate Class	Cost of Service before Deficit Allocation	Deficit	Revenue Requirement after Deficit Allocation
Newfoundland Power	95,772	(5,130)	90,642
Island Industrial	(90,098)		(90,098)
Rural Labrador Interconnected		(545)	(545)
Island Interconnected	(5,674)	5,674	