

Q. **Reference: Vol. I, Ch. 6, secs. 6.2–6.3, pp. 6.2–6.10 (PDF pp. 176–184); Vol. I, Schedule F (2027 TY Cost of Service Study), Labrador Interconnected schedules F 2.1E–F 3.2E (PDF pp. 287–302); Vol. I, Schedule G (2027 TY COS, Excluding Rate Mitigation) (PDF pp. 357–464).**

Preamble:

The Application implements the cost-of-service methodology approved in Board Order No. P.U. 37(2019) and addressed in the 2025 Cost of Service Methodology Application, under which Muskrat Falls Project costs are functionalized as generation. IOC seeks to isolate the effect of the methodology change on the allocation to Labrador Industrial customers.

Provide the cost allocation factors applied to transmission demand for the Labrador Industrial class in the 2027 Test Year, and the equivalent factors for the 2019 Test Year, with an explanation of any change.

A. The transmission-demand costs of the Labrador Interconnected System are allocated to customer classes based on their contribution to the system coincident peak.

Table 1 summarizes the change from the 2019 Test Year to the 2027 Test Year.

**Table 1: Transmission-Demand Costs of the Labrador Interconnected System**

|                                                   | <b>2019TY<br/>(kW)</b> | <b>2027TY<br/>(kW)</b> | <b>Variance<br/>(kW)</b> |
|---------------------------------------------------|------------------------|------------------------|--------------------------|
| Labrador Industrial Transmission Demand           | 229,500                | 298,387                | 68,887                   |
| Total Labrador Interconnected Transmission Demand | 402,278                | 451,962                | 49,685                   |
| <b>Allocation Factor</b>                          | <b>57.05%</b>          | <b>66.02%</b>          | <b>8.97%</b>             |

The increase in the allocation factor from 57.1% in the 2019 Test Year to 66.0% in the 2027 Test Year is primarily attributable to growth in Labrador Industrial Firm transmission demand.

1           Specifically, class demand increased from 293 MW in the 2019 Test Year to 317 MW in the Test  
2           Year, resulting in a larger share of the transmission demand allocator being assigned to this  
3           customer class.

4           A secondary driver is the increase in the coincidence factor from 90% to 94%, which further  
5           increased the class allocator applied in the 2027 study.<sup>1</sup>

6           Accordingly, the combined effect of higher coincident demand and a higher coincidence factor  
7           increased the basis of allocation used to assign transmission revenue requirement costs.

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<sup>1</sup> Please refer to Newfoundland and Labrador Hydro's response to IOC-NLH-012 of this proceeding for coincidence factor calculations.