

1 Q. Reference: OC-NLH-017, Table 1; IOC-NLH-018, Table 1; Vol. I, Schedule F 2.4E (PDF pp. 292–
2 293); Vol. I, Schedule F 2.1E, I. 1 (PDF p. 287); PUB-NLH-046 (indirect loader); Vol. I, sec. 6.2.1,
3 item 4) (PDF p. 178); Vol. I, Ch. 3, Table 3-4 (PDF p.121).

4 Preamble:

5 IOC-NLH-018 reports direct Labrador transmission operating and maintenance costs of
6 \$2,642,799 for the 2019 Test Year and \$2,937,178 for the 2027 Test Year, an increase of 11.1%,
7 excluding the allocation of Administrative and General costs. IOC-NLH-017 reports total
8 transmission demand operating and maintenance costs in the Cost of Service of \$3,298,085 and
9 \$4,679,099 for the same years. The allocated, non-direct component therefore rose from
10 \$655,286 to \$1,741,921 — an increase of 165.8% — and from 24.8% to 59.3% of direct costs.

11 For each category, state the allocation method and the allocator values (numerator and
12 denominator) used to assign the amount to Labrador transmission in the 2019 and 2027 Test
13 Year studies, and identify any change in method, allocator or cost pool between the two studies.

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16 A. Please refer to IOC-NLH-032, Attachment 1 for the allocation method and the allocator values
17 used to assign the amounts to Labrador transmission.

18 There was no change in allocation methodology. The increased allocation of operating and
19 maintenance to the transmission function is the result of increased transmission capital
20 investment, which is used to allocate the costs.

**Newfoundland and Labrador Hydro
2019TY vs 2027TY Comparison**

	Test Year	Test Year	Variance		Allocation Ratios ^{1,2}	
	2019	2027	\$	%	2019	2027
Transmission - Detail	2,157,002	2,846,299	689,297	32%		
Transmission Lines	1,931,761	2,626,439	694,679	36%	85%	100%
Terminal Stations	98,849	143,351	44,501	45%	57%	78%
Other	126,392	76,509	(49,883)	-39%	67%	79%
Admin & General - Detail	1,141,084	1,832,800	691,716	61%		
Transmission	109,752	201,874	92,122	84%	67%	79%
Prod, Trans, Distn & General Plt	170,969	219,107	48,138	28%	25%	35%
Property Insurance	40,268	108,716	68,448	170%	31%	51%
All Expense-Related	767,335	1,280,186	512,851	67%	34%	41%
Prod, Trans & Distn Expense-Related	52,759	22,916	(29,843)	-57%	42%	50%
Total	3,298,085	4,679,099	1,381,014	42%		
Variance	1,141,084	1,832,800	691,716	60.62%		
Variance as % of Transmission - Detail	52.90%	64.39%				

¹ Allocation ratios represent the Transmission Demand functional classification as a proportion of the applicable total allocation base. Plant-related ratios are derived from Schedule 2.2E, while expense-related ratios are derived from Schedule 2.4E.

² The allocation ratios changed primarily because the composition of plant in service changed between the 2019 and 2027 Test Years. Total plant in service increased from approximately \$185.5 million to \$253.3 million, with the amount functionally classified to Transmission Demand increasing from approximately \$46.7 million to \$86.4 million. The growth in Transmission Demand plant was proportionately greater than the growth in the corresponding allocation bases, increasing the Transmission Demand allocation ratios used to functionalize transmission and plant-related Administrative and General expenses. The effect is particularly evident for terminal stations, where Transmission Demand plant increased from approximately \$22.1 million to \$71.2 million, raising the allocation ratio from 57.1% to 78.0%. Transmission lines also became fully classified to Transmission Demand in the 2027 Test Year, increasing that ratio from 84.7% to 100%. These changes in the level and functional composition of plant in service flowed through to the related O&M expense allocation ratios.