

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 PUB-NLH-046 applies an indirect loader of 12.53%, defined as transmission A&G plus
12 transmission other divided by transmission and terminals direct O&M, which section 6.2.1, item
13 4) states is derived from the Cost of Service Study. Provide the numerator and denominator
14 values underlying the 12.53%, identify the system (Labrador Interconnected or total) and Test
15 Year to which they relate, and reconcile that ratio with the relationship between allocated and
16 direct costs described in the preamble.

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19 A. The 12.53% ratio was derived from Table 2.4 E of the Cost of Service Study using the following
20 values:

- 21 • **Direct Transmission O&M¹ (denominator): \$2,837,030**
 - 22 ○ Transmission Lines (Line 4): \$2,626,439
 - 23 ○ Terminal Stations (Line 5): \$210,591

¹ Operations and Maintenance (“O&M”).

1 • **Allocated Transmission Costs (numerator): \$355,529**

2 o Other Transmission (Line 6): \$100,147

3 o Transmission Administration & General (Line 14): \$255,382

4 • **Calculation:** $\$355,529 \div \$2,837,030 = 12.532\%$ (12.53% rounded).

5 The 12.53% loader was applied to customer-specific direct transmission costs,² resulting in an
6 indirect O&M allocation of \$3,078 for Iron Ore Company of Canada and \$282 for Tacora
7 Resources Inc., in proportion to their respective direct cost assignments.

8 The 12.53% ratio was applied to allocate indirect maintenance costs associated with specifically
9 assigned assets. The costs referenced in the preamble, however, represent common costs
10 shared among all Labrador Industrial customers. These costs are classified as either demand-
11 related or energy-related and are recovered through the applicable demand and energy rates.

² Please refer to Newfoundland and Labrador Hydro's response to PUB-NLH-046, footnote 3 of this proceeding.