

March 28, 2023

Board of Commissioners of Public Utilities  
Prince Charles Building  
120 Torbay Road, P.O. Box 21040  
St. John's, NL A1A 5B2

Attention: Cheryl Blundon  
Director of Corporate Services and Board Secretary

**Re: Newfoundland Power Inc. – 2023 Supplemental Capital Application – Memorial Substation Power Transformer Replacement – Comments**

On March 3, 2023, Newfoundland Power Inc. (“Newfoundland Power”) filed an application proposing supplemental capital expenditures of \$1,614,000 for the Memorial Substation Power Transformer Replacement Project (“Application”).

Newfoundland and Labrador Hydro (“Hydro”) does not dispute Newfoundland Power’s determination that the Memorial Substation Power Transformer T2 has failed, and does not oppose Newfoundland Power’s proposed project to replace the transformer. However, it is Hydro’s opinion that the costs of the project should be fully contributed by the customer.

Hydro issued requests for information (“RFI”) for additional information with respect to the allocation of the costs related to the Application, to which Newfoundland Power filed responses on March 23, 2023. In its response to NLH-NP-001 of this proceeding, Newfoundland Power confirmed that assets associated with redundant supply are considered special facilities under Newfoundland Power’s “Schedule of Rates Rules & Regulations.” These regulations state,

Where special facilities are required or requested by the Customer or any facility is relocated at the request of the Customer, the Customer shall pay the Company the estimated additional cost of providing the special facilities and the estimated cost of the relocation less any betterment. The payment may be required in advance or, subject to credit approval, billed to the Customer.<sup>1</sup>

In Schedule A of the Application, and in its response to NLH-NP-002 of this proceeding, Newfoundland Power states that the University does not have its typical redundancy and operational flexibility without MUN-T2 in service. Hydro submits that this confirms that T2 constitutes redundant supply and is therefore a special facility, requiring contribution from the customer as per Clause 9(c) of Newfoundland Power’s “Schedule of Rates Rules & Regulations.”

---

<sup>1</sup> “Schedule of Rates Rules & Regulations,” Newfoundland Power Inc., July 1, 2022, p. 8 s 9(c).

In Hydro's opinion, and in alignment with the accepted practice in this jurisdiction, expenditures incurred on transmission assets serving only one customer should be recovered from that customer either through a direct contribution from that customer or recovered through the customer rates through a specifically-assigned charge. In its response to NLH-NP-002 of this proceeding, Newfoundland Power notes "Costs associated with providing safe and adequate service to customers are recovered through customer rates rather than contributions in aid of construction."<sup>2</sup> This statement is not aligned with the existence of the Contribution in Aid of Construction Policy or the requirement of Clause 9(c) of Newfoundland Power's "Schedule of Rates Rules & Regulations" requiring contributions for special facilities. Existing policies and accepted practices in this jurisdiction require customers to pay up-front contributions to receive electrical service that is safe and reliable. These regulatory policies exist to limit the amount of capital investment to provide service to a single customer to ensure the common costs to be recovered from all customers through published rates remain reasonable.

Hydro notes that Newfoundland Power's rate structure does not include specifically-assigned charges to enable recovery of incremental costs associated with transmission assets dedicated to serving a single customer or the costs of providing redundant supply to a single customer. Hydro further notes that the rate structure that applies to Memorial University of Newfoundland ("Memorial University") is the same structure that would apply to a General Service customer not receiving redundant supply. Therefore, Hydro believes that, without a contribution being required from the customer that is the sole beneficiary of the proposed capital investment, the cost of providing dedicated transmission assets and redundant supply to this customer would be reflected in the costs borne by other customers, potentially creating a subsidization concern.

### Conclusion

In the interest of regulatory fairness and consistency with accepted utility practice in this jurisdiction, Hydro believes that, prior to approving the proposed project, the Board should require Newfoundland Power to enter into an agreement with Memorial University requiring a contribution from the customer for the total capital cost required to maintain redundant supply, including the replacement of transformer T2.

Should you have any questions, please contact the undersigned.

Yours truly,

### NEWFOUNDLAND AND LABRADOR HYDRO



---

Shirley A. Walsh  
Senior Legal Counsel, Regulatory  
SAW/sk

ecc:

**Board of Commissioners of Public Utilities**  
Jacqui H. Glynn  
PUB Official Email

**Consumer Advocate**  
Dennis M. Browne, KC, Browne Fitzgerald Morgan Avis & Wadden  
Stephen F. Fitzgerald, Browne Fitzgerald Morgan Avis & Wadden  
Sarah G. Fitzgerald, Browne Fitzgerald Morgan Avis & Wadden  
Bernice Bailey, Browne Fitzgerald Morgan Avis & Wadden  
Bernard M. Coffey, KC

**Newfoundland Power Inc.**  
Dominic J. Foley  
Lindsay S.A. Hollett  
Regulatory Email

---

<sup>2</sup> Newfoundland Power's response to part a)/25-27 of NLH-NP-002 of this proceeding.

