

1 **Q. (Reference Application and Board Order P.U. 14(2023)) In Order No. P.U.**
 2 **14(2023) (Page 5), it is stated "The Board notes that maintaining the Memorial**
 3 **Substation as a primary point of supply and the Long Pond Substation as a**
 4 **special facility is consistent with the cost of service methodology accepted by**
 5 **the parties in Newfoundland Power's most recent General Rate Application and**
 6 **approved by the Board in Order No. P.U. 3(2022)."**

7 **a) Does NP agree with this statement? Please identify evidence filed by NP**
 8 **that supports the statement as reason for charging the cost of the MUN T-**
 9 **2 transformer replacement to all customers rather than only Memorial**
 10 **University, the sole customer that benefits from the transformer.**

11 **b) Was the cost of service study referenced by the Board used in the design of**
 12 **current retail rates? Are the unit costs derived in the cost of service study**
 13 **reflected in current rates? Please elaborate.**

14 **c) Specifically, what is the purpose of the cost of service study? Were all costs**
 15 **included in the cost of service study agreed to by all parties participating in**
 16 **the GRA?**

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 18 **A. a) See part a) of the response to Request for Information CA-NP-032.**

19
 20 **b) The *Cost of Service Study* filed in support of Newfoundland Power's *2022/2023***
 21 ***General Rate Application* was used to assess the appropriateness of the Company's**
 22 **customer rates.¹**

23
 24 In Newfoundland Power's *2003/2004 General Rate Application*, the Company
 25 presented detailed evidence on its cost of service study methodology. Through a
 26 mediation process, the parties at the hearing recommended the approval of the cost
 27 of service study methodology. In Order No. P.U. 19 (2003), the Board approved the
 28 recommendations as presented in the evidence and the Mediation Report.

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 30 In Order No. P.U. 32 (2007), the Board stated that it was satisfied that
 31 Newfoundland Power's *Cost of Service Study* and methodology, along with the
 32 *Marginal Cost Study* were appropriate to be used in establishing 2008 customer
 33 rates. In each of Newfoundland Power's 2010, 2013/2014, 2016/2017, 2019/2020,
 34 and 2022/2023 general rate application proceedings, the results of the Company's
 35 cost of service studies and their use in establishing customer rates were not an issue
 36 and were accepted for use in establishing customer rates.

37
 38 **c) Cost of service studies are conducted on a regular basis to evaluate the**
 39 **reasonableness of cost recovery by class of service and as a step in the accepted**
 40 **process for establishing customer rates.**

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 42 The *2022/2023 GRA Settlement Agreement* disposed of all issues arising from
 43 Newfoundland Power's *2022/2023 General Rate Application*. This includes test year

¹ Recovery of the cost of service is generally accepted as a basic standard in assessing the reasonableness of a utility's rates. Newfoundland Power assesses the fairness of its customer rates by comparing the revenue collected from each class with the cost to serve that class, as determined through an embedded cost of service study (the "revenue-to-cost ratio").

1 revenue requirements used to establish customer rates.² Newfoundland Power
2 amended its *2022/2023 General Rate Application* to reflect the *2022/2023 GRA*
3 *Settlement Agreement* (the "*Amended Application*"). The *Amended Application* was
4 approved by the Board in Order No. P.U. 3 (2022) as amended.

² See Paragraph 23 on page 5 of the *2022/2023 GRA Settlement Agreement*.