

- 1 Q. (Reference CA-NP-032) It is stated "*The supply point of any Newfoundland*
2 *Power customer is considered the point at which the customer is metered.*
3 *While multiple customers may receive service from the same substation,*
4 *transmission line, distribution feeder, or other infrastructure, Newfoundland*
5 *Power customers do not share a supply point.*"
- 6 a) Does NP classify each transmission facility as either a customer connection
7 facility, defined as the facilities that are generally radial in nature and
8 benefit only one or a few customers, or a network facility, defined as the
9 facilities that generally enable looped flows and benefit multiple
10 customers?
- 11 b) Does NP believe that the costs of customer connection facilities defined as
12 radial facilities that benefit only one or a few customers should be collected
13 from only those customers that benefit from the connection facilities, or
14 does NP believe that such costs should be socialized across all customers?
15 In practice, how does NP recover such costs from its customers? How does
16 NL Hydro collect such costs from NP and its other customers?
- 17 c) Does NP believe that Island Industrial Customers should be responsible for
18 the costs of their specifically-assigned connection facilities, or does NP
19 believe that the costs for these facilities should be collected from all NL
20 Hydro customers, including NP?
- 21 d) How does NL Hydro collect the costs of specifically-assigned facilities from
22 its customers; e.g., through a contribution in aid of construction?
- 23 e) In NP's opinion, should the costs of network facilities, defined as facilities
24 that enable looped flows and benefit multiple customers, be socialized
25 across all customers because many customers benefit from the facilities?
26 In practice, how does NP recover such costs from its customers?
- 27 f) Does NP believe that the connection facilities for Memorial University at the
28 MUN Substation defined as switchgear on the high-side of MUN T-1 and
29 MUN T-2, transformers MUN T-1 and Mun T-2, and switchgear on the low
30 side of MUN T-1 and MUN T-2, are comparable to the connection facilities
31 that supply the Rate #2.4 customer served from the BIG Substation which
32 serves a total of 1,334 customers from the distribution system? Please
33 elaborate from the perspectives of reliability, cost and fairness. In addition,
34 please explain what NP does in practice and why.
- 35 g) Does it generally cost the same to supply Memorial University load served
36 from the MUN Substation as it does to serve the General Service Rate #2.4
37 customer served from the BIG Substation? How do costs differ?
- 38 h) Does NP include outages on the 66 kV transmission system in its SAIDI and
39 SAIFI statistics?

1 A. Newfoundland Power has revised the stated reference noted in the question. See the
2 response to Request for Information CA-NP-032 (1st Revision).

3
4 a) Radial transmission lines that serve multiple customers are considered common
5 transmission assets.¹ The costs of these lines are allocated to Newfoundland
6 Power's various customer rate classes in accordance with the Company's approved
7 cost of service methodology.

8
9 Transmission lines that are part of the looped transmission systems are also
10 considered to be common transmission assets. Costs associated with these
11 transmission lines are also allocated to Newfoundland Power's various customer rate
12 classes in accordance with approved cost of service methodology.

13
14 b) It is Newfoundland Power's existing practice to charge a customer for connection
15 facilities that benefit only one or a few customers where appropriate.² The Company
16 charges customers for such facilities in accordance with its Contribution in Aid of
17 Construction Policies (the "CIAC Policy").³ The applicable CIAC Policy recognizes that
18 customers may pay all or part of these costs through their rates. Where revenue
19 collected through rates is not sufficient to pay for the cost of connecting the
20 customer, Newfoundland Power requires the customer to pay a contribution towards
21 the facilities as required by the CIAC Policy. The contribution from the customer
22 includes the cost to construct the facility and an allowance for future operating and
23 maintenance costs.

24
25 On the Island Interconnected System and in certain other of Hydro's service
26 territories, Hydro's customer rates for Domestic and General Service customers,
27 including General Service Rate #2.4 1000 kVA and Over customers, are required to
28 be the same as the rates charged by Newfoundland Power.⁴

29
30 Hydro recovers costs from its customers in accordance with its approved Schedule of
31 Rates, Rules and Regulations as well as its Contribution in Aid of Construction
32 Policy.⁵ Specific questions regarding Hydro's practices are more appropriately
33 directed to Hydro.

¹ Common transmission assets are those transmission assets that provide service to more than one customer.

² In addition to an individual customer that is required to pay a Contribution in Aid of Construction, Newfoundland Power also requires contributions from customers in certain areas, such as cabin areas, where the rates charged to those customers is insufficient to recover the cost of the facilities required to connect those customers to Newfoundland Power's electricity system.

³ See Attachment A to the response to Request for Information CA-NP-028 for a copy of Newfoundland Power's *Contribution in Aid of Construction Policies*.

⁴ In Order No. P.U. 14 (2007), the Board approved Policies for Automatic Rate Changes so that as Newfoundland Power changes its rates, Hydro will automatically adjust certain rates for its customers on the Island Interconnected System, the L'Anse au Loup system and its Isolated Rural customers.

⁵ Hydro's customer rates to be charged to its Island Interconnected, L'Anse au Loup and Isolated Rural customers were most recently approved in Order No. P.U. 18 (2023). Hydro's Island Industrial customer rates were most recently approved in Order No. P.U. 19 (2023).

- 1 c) Yes, Newfoundland Power agrees that all customers should be responsible for the
2 costs of serving them, either through customer rates or separate charges such as
3 Contributions in Aid of Construction.
4

5 Hydro's Industrial – Firm rate is available to customers supplied from Hydro's bulk
6 transmission grid at voltages of 66 kV or greater. Industrial customers must be
7 supplied on the primary side of any transformation equipment directly supplying the
8 customer and are required to enter into a contract with Hydro for the purchase of
9 firm power and energy.
10

11 As part of Hydro's Industrial – Firm rate design, Hydro's Island Industrial customers
12 are required to pay annual specifically assigned charges associated with facilities that
13 connect the industrial customer to Hydro's transmission system. Hydro's Industrial –
14 Firm rate, including specifically assigned charges, energy charges, demand charges,
15 and other aspects of the Industrial – Firm rate are reviewed by the Board as part of
16 a Hydro general rate application. Newfoundland Power did not object to Hydro's
17 Industrial – Firm rate design as part of Hydro's most recent general rate application.⁶
18

- 19 d) Hydro's Industrial – Firm rate requires Hydro's Island Industrial customers to be
20 charged an annual amount related to specifically assigned assets as outlined in the
21 Hydro's Industrial – Firm rate. Specific questions regarding Hydro's practices are
22 more appropriately directed to Hydro.
23

- 24 e) See the response to part a).
25

- 26 f) The cost to serve each and every Newfoundland Power customer is typically
27 different. For example, the cost of serving a Domestic customer that is close to a
28 substation is less than the cost to serve a Domestic customer that is located at the
29 end of a distribution feeder.⁷ Since it is impractical to design a specific rate for each
30 and every customer, Newfoundland Power, and other utilities, develop customer rate
31 classes to group customers according to their size and cost of serving those
32 customers as a whole. Rates charged to a specific class of customers are designed
33 to recover the cost of serving that particular class of customer.
34

35 Newfoundland Power's current customer rates largely reflect the recommendations
36 of the *Retail Rate Review*.⁸ In accordance with the *Retail Rate Review*,
37 Newfoundland Power maintains three separate General Service rate classes:

⁶ Hydro's most recent general rate application was filed with the Board on July 28, 2017. See Order No. P.U. 16 (2019).

⁷ This is because the cost to serve a customer located further along a distribution line involves, for example, costs associated with a greater amount of distribution line than the customer located near the substation.

⁸ The *Retail Rate Review* consisted of a comprehensive review of Newfoundland Power's domestic and general service rates and an evaluation of alternative rates. The review commenced following Newfoundland Power's *2008 General Rate Application* and was completed in 2010. Recommendations from the review were implemented, as appropriate, in subsequent years. Proposals approved by the Board in Order No. P.U. 2 (2019) concluded implementation of the recommendations outlined in the *Retail Rate Review*.

1 Rate #2.1 General Service 0-100 kW (110 kVA);
 2 Rate #2.3 General Service 110 kVA (100 kW) – 1000 kVA; and
 3 Rate #2.4 General Service 1000 kVA and Over.
 4

5 Rate #2.4 General Service 1000 kVA and Over serves approximately 60 of
 6 Newfoundland Power's largest customers. These customers are served by various
 7 configurations throughout Newfoundland Power's electrical system. For example,
 8 Rate #2.4 General Service 1000 kVA and Over customers are either served by
 9 transmission voltage, primary distribution voltage, or secondary distribution voltage.
 10 These customers are also located throughout the Company's service territory and
 11 can be served directly from a substation, or at various locations along a transmission
 12 line or distribution feeder.
 13

14 Newfoundland Power does not design its customer rates based on the reliability
 15 experienced by one particular customer versus another. The reliability experienced
 16 by any customer is dependent on a number of factors.⁹
 17

18 Newfoundland Power assesses the fairness of its customer rates by comparing the
 19 revenue collected from each customer rate class with the cost to serve that class as
 20 determined through an embedded cost of service study (the "revenue-to-cost
 21 ratio").¹⁰ The revenue-to-cost ratios provided in the Cost of Service Study filed with
 22 the Board as part of the Company's *2022/2023 General Rate Application* for the Rate
 23 #2.4 General Service 1000 kVA and Over customer rate class was 102.3%.¹¹ This
 24 means the revenue collected from the rate class was in excess of the costs of
 25 serving the rate class. See the response to Request for Information CA-NP-148 for
 26 further information regarding fairness.
 27

28 As stated in Newfoundland Power's response to the Consumer Advocate's request to
 29 re-hear the MUN-T2 application, and in the response to Request for Information
 30 CA-NP-036, Newfoundland Power observes that the load profile of Memorial
 31 University is expected to change substantially in the coming years due to the
 32 planned installation of electric boilers, the addition of new buildings, and the
 33 potential establishment of a capacity assistance agreement. In the Company's view,
 34 a review of the rates charged to Memorial University would be appropriate when
 35 these changes materialize to ensure the University continues to pay rates that are
 36 consistent with the cost of providing it with electrical service. Newfoundland Power
 37 is also completing an updated rate design review, similar to the *Retail Rate Review*
 38 completed in 2010.¹²

⁹ See the response to Request for Information CA-NP-032, part b).

¹⁰ Maintaining revenue-to-cost ratios for each class within a range of 90% to 110% has been an accepted approach to achieving fairness in rate design by avoiding undue cross-subsidization among the various rate classes. This is consistent with the views of the Board as expressed in Order No. P.U. 7 (1996-97), which states: "The Board agrees with the philosophy that it is not necessary to achieve a 100% revenue to cost ratio for all classes and takes no exception to a variance of up to 10%."

¹¹ See Newfoundland Power's *2022/2023 General Rate Application, Section 5: Customer Rates*, page 5-7, Table 5-5.

¹² The updated *Rate Design Review* formed part of the Settlement Agreement associated with Newfoundland Power's *2022/2023 General Rate Application*.

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- 1 g) See the response to part f).
2
3 h) Newfoundland Power's SAIDI and SAIFI statistics include all customer outages,
4 including those that occur on the 66 kV transmission system.