

- 1 **Q. (Reference CA-NP-032) NP proposes a capital spend of about \$6 million at the**
 2 **MUN Substation over the next two years (\$1.6 million for the MUN T-2**
 3 **replacement project and about \$4.4 million for the MUN Substation**
 4 **Refurbishment and Modernization project). This equates to an expenditure of**
 5 **about \$6,000,000 per customer. If NP were to spend a similar amount on the**
 6 **BIG Substation, the expenditure would equate to about \$450 per customer (\$6**
 7 **million divided by 1334 customers).**
 8 **a) How much of the \$6 million spent at the MUN Substation would be allocated**
 9 **to Memorial University?**
 10 **b) How much of the \$6 million spent at the MUN Substation would be allocated**
 11 **to the Rate #2.4 customer class?**
 12 **c) How much of the \$6 million spent at the MUN Substation would be allocated**
 13 **to customer classes other than the Rate #2.4 customer class?**
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- 15 **A. a)** Newfoundland Power allocates the cost of providing service to its customers in
 16 accordance with its approved cost of service methodology.¹ The annual revenue
 17 requirement associated with capital expenditures that are not fully contributed by a
 18 customer is recovered through customer rates over the life of the assets.
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 20 Capital costs of approximately \$2.1 million associated with the 66 kV looped
 21 transmission network serving customers throughout the St. John's area would be
 22 allocated to all Newfoundland Power customer rate classes.
 23
 24 Capital costs of approximately \$3.9 million associated with providing service to
 25 Memorial University would be specifically assigned to the General Service Rate #2.4
 26 1000 kVA and Over customer rate class.
 27
 28 b) See the response to part a) above.
 29
 30 c) See the response to part a) above.

¹ The Company's cost of service methodology has been approved by the Board since it was reviewed in detail as part of the Company's *2003/2004 General Rate Application*. In Newfoundland Power's *2003/2004 General Rate Application*, Newfoundland Power presented detailed evidence on its cost of service study methodology. Through a mediation process, the parties at the hearing recommended the approval of the cost of service study methodology. In Order No. P.U. 19 (2003), the Board approved the recommendations as presented in the evidence and the Mediation Report. In Order No. P.U. 32 (2007), the Board stated that it was satisfied that Newfoundland Power's cost of service study and methodology, and were appropriate to be used in establishing 2008 customer rates. At Newfoundland Power's 2010, 2013/2014, 2016/2017, 2019/2020, and 2022/2023 general rate applications, the results of the Company's cost of service studies were accepted for use in establishing customer rates.