

June 12, 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, involving the procurement and installation of a new power transformer to replace the power transformer known as MUN-T2 ("Application").^{1,2} On May 31, 2023, the Board of Commissioners of Public Utilities ("Board") issued Order No P.U. 14(2023) approving the supplemental capital.³ Hydro had argued that the expenditures proposed in the Application should be recovered from the customer, Memorial University of Newfoundland ("Memorial University"), through a direct contribution or through the customer's rates in a specifically-assigned charge.⁴ In its Order, the Board did not agree.

Consumer Advocate Request for Rehearing

The Consumer Advocate filed a request that the Board rehear the matter, pursuant to section 28(2) of the *Board of Commissioners of Public Utilities Regulations, 1996*.^{5,6} Section 28(2) states:

(2) When a decision or order of the board is sought to be reversed, changed, or modified by reason of facts and circumstances arising subsequent to the hearing, or to the order, or by reason of consequences resulting from compliance with that decision, order or requirement which are claimed to justify or entitle a reversal, change or modification of the facts, circumstances or consequences must be fully set out in the application.⁷

¹ "2023 Supplemental Capital Expenditure Application – Memorial Substation Power Transformer Replacement," Newfoundland Power Inc., March 3, 2023.

² As per Newfoundland Power's response to PUB-NP-006 of this proceeding, Newfoundland Power plans for further work at Memorial Substation in 2024 related to refurbishment and modernization required to replace deteriorated equipment.

³ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 14(2023), Board of Commissioners of Public Utilities, May 31, 2023.

⁴ "Newfoundland Power Inc. – 2023 Supplemental Capital Application – Memorial Substation Power Transformer Replacement – Comments," Newfoundland and Labrador Hydro, March 28, 2023.

⁵ Nfld Reg 39/96.

⁶ "Request for Re-hearing of Newfoundland Power's Application re Memorial Substation Power Transformer Replacement," Office of the Consumer Advocate, June 5, 2023.

⁷ *Ibid.*, s. 28(2).

The Consumer Advocate's position is that by ordering that MUN-T2 transformer replacement costs be recovered from all customers rather than only Memorial University, the sole beneficiary of the project, the Board is violating the condition that all customers be charged the same rate under substantially similar circumstances and conditions. The Consumer Advocate's position is that the Order is not in compliance with generally accepted utility practice or with the existing legislation and requests that the Board determine that the costs of the proposed project be recovered from the customer.

The Board requested that any parties wishing to file comments in relation to the Consumer Advocate's request, to do so by June 12, 2023.⁸

Hydro's Position

Memorial University is served by two substations, the Memorial Substation and the Long Pond Substation. The Memorial Substation was built as the university's original point of supply. The Long Pond Substation was constructed as a special facility in 2019 to serve as a redundant distribution supply point for Memorial University and was funded via a contribution in aid of construction from the university at that time. The Board determined that the Long Pond Substation is the redundant supply point.

Memorial Substation has two power transformers, MUN-T1 and MUN-T2. Newfoundland Power's submissions explain that during normal operations, both transformers carry the load necessary to supply Memorial University and provide a source of redundant supply for Long Pond Substation wherein if that substation failed, the load it carried could be transferred to the Memorial Substation. The Board found that without MUN-T2 in service, this was not possible and therefore MUN-T2 was necessary to restore the university's original source of supply and allow the Long Pond Substation to return to being a redundant supply source.

Hydro did not disagree that Long Pond Substation is a redundant supply; however, Hydro also submitted that there is another level of redundancy within the Memorial Substation. Newfoundland Power's cover letter to its Application stated that MUN-T2 is capable of carrying the full load of that substation in the event of the failure of MUN-T1 and further stated "The full load of MUN Substation is currently being carried by MUN-T1, which has been in service for 57 years and has exceeded the typical useful life of a power transformer."⁹ In Hydro's view, MUN-T2 is a redundant supply for MUN-T1, within the Memorial Substation.

It is generally accepted practice in the province that if a customer wishes to have redundancy through the utility providing an additional transformer to avoid an outage in the event of a single transformer failure, the costs of the additional transformer are the responsibility of the customer. In that circumstance, a contribution would be required for the provision of a special facility as set forth in Regulation in Newfoundland Power's "Schedule of Rates Rules & Regulations."¹⁰ Hydro believes this is the situation in the Memorial Substation. Company investment for a single supply point should not include the provision of two transformers to ensure supply is not interrupted if one of the transformers fails. Newfoundland Power agrees that redundant supply is a special facility pursuant to Clause 9(c) of its "Schedule of Rates Rules & Regulations" and as a special facility the costs would be the responsibility of

⁸ "Newfoundland Power Inc. - 2023 Capital Budget Supplemental Application - Approval for the Purchase and Installation of a Replacement Power Transformer for Memorial Substation - Consumer Advocate's Request for Re-hearing of Application," Board of Commissioners of Public Utilities, June 6, 2023.

⁹ "2023 Supplemental Capital Expenditure Application – Memorial Substation Power Transformer Replacement," Newfoundland Power Inc., March 3, 2023, cover letter, p. 1.

¹⁰ "Schedule of Rates Rules & Regulations," Newfoundland Power Inc., effective July 1, 2022, reg. 9(c), p. 8.
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the customer. The costs of the Long Pond Substation, as a redundancy, were the responsibility of the University. Hydro submits the costs of MUN-T2, which is also a redundant supply within the Memorial Substation, should also be the responsibility of the customer.

In accordance with Clause 3(ii) of Newfoundland Power's *Residential and General Service CIAC Policies*,¹¹ and Regulation 5(j) of its "Schedule of Rates Rules & Regulations,"¹² the Utility will provide general service customers with transformation to meet the customers load requirements up to 500 kVA when the required service voltage is one of the Utility's standard service voltages and installation is in accordance with the Utility's standards. The Utility may provide the transformation in other circumstances, on conditions it deems acceptable. In the case of the Memorial Substation, the two power transformers provided by Newfoundland Power are dedicated to serving a single customer.¹³ In Hydro's view, this exceeds the company investment considered within the *Residential and General Service CIAC Policies* and the "Schedule of Rates Rules & Regulations." The Consumer Advocate referenced Hydro's submissions in its June 5, 2023 request. In particular the Consumer Advocate noted that Hydro's position that, in alignment with the accepted practice in the province, 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. Hydro noted that 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

Conclusion

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. Hydro does not consider the treatment of these assets as common to be consistent with Newfoundland Power's *Residential and General Service CIAC Policies* or its "Schedule of Rates Rules & Regulations." Approval of this capital investment as a common asset creates a subsidization concern among the customers not benefitting from this investment. Hydro agrees with the Consumer Advocate's position that the Board's Order is inconsistent with generally accepted utility practice in this province, and should be reconsidered. The costs of the project proposed in Newfoundland Power's Application should be recovered from the customer.

¹¹ Newfoundland Power Inc. (2023). "Residential and General Service CIAC Policies," clause 3(ii).
<<https://www.newfoundlandpower.com/-/media/PDFs/Business-Services/Commercial-Rates/Newfoundland-Power--Residential-and-General-Service-CIAC-Policies-Effective-January-26-2023.pdf>>

¹² "Schedule of Rates Rules & Regulations," Newfoundland Power Inc., effective July 1, 2022, reg. 5(j), p. 4.
<[https://www.newfoundlandpower.com/My-Account/Services/Moving/-/media/03337A8CF44D47FAB71E64890F7DE86A.ashx#:~:text=RULES%20AND%20REGULATIONS,-\(g\)%20\(i&text=\(i\)%20For%20Services%20having%20rates,factor%20from%20time%20to%20time.>](https://www.newfoundlandpower.com/My-Account/Services/Moving/-/media/03337A8CF44D47FAB71E64890F7DE86A.ashx#:~:text=RULES%20AND%20REGULATIONS,-(g)%20(i&text=(i)%20For%20Services%20having%20rates,factor%20from%20time%20to%20time.>)>

¹³ Newfoundland Power's submission states "All electrical equipment within the substation is owned and operated by the Company with the exception of customer-owned switchgear and associated distribution infrastructure."

Cheryl Blundon
Board of Commissioners of Public Utilities

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Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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