

1 Q. **Reference: CA-NLH-002**

2 In Hydro's March 28, 2023 submission titled "Newfoundland Power Inc. – 2023 Supplemental  
3 Capital Application – Memorial Substation Power Transformer Replacement – Comments" it is  
4 stated (page 2) "In the interest of regulatory fairness and consistency with accepted utility  
5 practice in this jurisdiction, Hydro believes that, prior to approving the proposed project, the  
6 Board should require Newfoundland Power to enter into an agreement with Memorial  
7 University requiring a contribution from the customer for the total capital cost required to  
8 maintain redundant supply, including the replacement of transformer T2."

- 9 a) Does Hydro consider the Memorial Substation to be a radial facility that benefits only  
10 Memorial University? Should all components of the Memorial Substation be categorized  
11 as specifically-assigned? If not, what components of the Memorial Substation should be  
12 categorized as common and why?
- 13 b) If Hydro determined it necessary to replace a transformer at one of its substations that  
14 is specifically assigned to Newfoundland Power, would Hydro require Newfoundland  
15 Power to pay the entire cost of the transformer replacement? Specifically, what steps  
16 would Hydro take and what policies would Hydro consult if a transformer at a substation  
17 that is specifically-assigned to Newfoundland Power failed and required replacement?
- 18 c) Is supply redundancy a factor in Hydro decisions on whether or not to designate a  
19 facility as a specifically-assigned asset?
- 20 d) Is Hydro aware of any jurisdictions in Canada that recover costs of transmission facilities  
21 that benefit only one customer from non-benefitting customers? Does such practice  
22 result in fair and non-discriminatory rates? Does such practice result in cross-  
23 subsidization?
- 24 e) Does Hydro include only the costs of transmission assets that are categorized as  
25 "common" in its transmission tariff, or does Hydro also include the costs of specifically-  
26 assigned assets in its transmission tariff?

- 1 A. a) Newfoundland and Labrador Hydro's ("Hydro") comments on Newfoundland Power Inc.'s  
2 ("Newfoundland Power") Memorial Substation Power Transformer Replacement Project  
3 application were specific to the MUN-T2 power transformer. Hydro did not, in its  
4 submissions on Newfoundland Power's 2024 Capital Budget Application, object to  
5 Newfoundland Power's position that the Memorial Substation forms part of Newfoundland  
6 Power's 66 kV transmission network serving the St. John's region. Hydro does not have the  
7 information necessary to provide an opinion on what components of the Memorial  
8 Substation should be categorized as common and why.
- 9 b) Hydro requires that customers provide a full contribution for any capital costs related to  
10 assets specifically assigned to that customer, including costs associated with the  
11 replacement of the asset. Please refer to Hydro's response to CA-NLH-003 of this proceeding  
12 for further information about how Hydro determines if an asset is specifically assigned and  
13 Hydro's proposed methodology for cost allocation.
- 14 c) Transmission assets used solely to serve one customer supplied at transmission voltage are  
15 specifically assigned to that customer; if the assets in question allow for supply redundancy  
16 solely for that customer, these assets would be specifically assigned to that customer.
- 17 d) Hydro has not completed a review of the cost of service treatment of transmission facilities  
18 in other jurisdictions and therefore is unable to comment on whether other utilities recover  
19 costs of transmission facilities that benefit only one customer from non-benefitting  
20 customers, or justification for using that approach for cost recovery. Cost of service  
21 principles would have the customer or groups of customers that require the cost to be  
22 incurred pay for those costs.
- 23 e) Specifically assigned assets are excluded from the calculation of the transmission tariff. For  
24 further information on the methodology for the determination of the transmission tariff,  
25 please refer to the Newfoundland and Labrador System Operator Methodology for the  
26 Development of Rates for Transmission Service.<sup>1</sup>

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<sup>1</sup> "Newfoundland and Labrador System Operator Methodology for the Development of Rates for Transmission Service," Newfoundland and Labrador Hydro, January 25, 2021.  
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