

1 **Volume 2: Cost of Service Study**
2

3 **Q.** Newfoundland Power states with respect to the Roycefield Tap (RFD) Substation
4 and Transmission line (CA-NP-156 pertaining to the 2024 Capital Budget
5 Application) "*Newfoundland Power owns the Roycefield Tap ("RFD") Substation and*
6 *Transmission Line 104L that extends from RFD Substation to the customer's electrical*
7 *equipment at the mine site. To connect to Newfoundland Power's electricity system, the*
8 *customer was required to pay a Contribution in Aid of Construction towards the*
9 *construction of RFD Substation and Transmission Line 104L." The response goes on*
10 *to say, "The Rate #2.4 customer served by the RFD Substation is not served from*
11 *another substation."*

- 12 a) **Do the Roycefield Tap (RFD) Substation and transmission line form a**
13 **redundant supply?**
14 b) **Are the Roycefield Tap Substation and transmission line connection facilities?**
15 c) **How are the costs of the Roycefield Tap Substation and transmission line**
16 **recovered from customers in the cost of service study?**
17 d) **Please identify all transmission facilities owned by Newfoundland Power are**
18 **considered connection facilities and explain how the costs of these facilities are**
19 **recovered from customers in the cost of service study.**
20 e) **Did any costs associated with connection facilities require a contribution in aid**
21 **of construction from the benefiting customer? If so, please explain why.**
22 f) **How many customers does Newfoundland Power have that are served directly**
23 **from the transmission system?**
24

25 A. a) No, the RFD Substation and transmission line 104L do not form a redundant supply.
26 RFD Substation and transmission line 104L are the only source of supply for the
27 Roycefield mine site. To connect to Newfoundland Power's electricity system, the
28 customer was required to pay a Contribution in Aid of Construction ("CIAC")
29 towards the construction of RFD Substation and transmission line 104L.¹
30

- 31 b) A definition of "connection facility" has not been provided. The Independent
32 Electricity System Operator ("IESO") definition of a connection facility is: "*a facility*
33 *and equipment that allow a person to become connected to the IESO-controlled grid*
34 *and includes, in the case of a distributor, distribution assets owned by a person other*
35 *than the distributor that have been deemed by the OEB to be transmission assets.*"²
36

37 The RFD Substation and transmission line 104L are Newfoundland Power owned
38 assets that required a CIAC from the customer. As such, they do not fall within the
39 IESO's definition of a connection facility since they are not owned by the customer.
40

- 41 c) Newfoundland Power requires a CIAC from customers when the expected revenue to
42 be recovered from the customer is insufficient to recover the cost of serving the
43 customer. Customer contributions, including those associated with the RFD

¹ Construction of the RFD Substation and transmission line were approved in Order No. P.U. 9 (1996-1997).

² See IESO report *Market Rules – Chapter 11 – Definitions*, Issue Date: November 29, 2023.

- 1 Substation and transmission line 104L, are deducted from Newfoundland Power's
2 rate base and are not included in determining Newfoundland Power's customer rates.
3
- 4 Costs that are not contributed by the customer are reasonably recovered through the
5 approved rates charged to the customer. Such costs and revenue are included in
6 Newfoundland Power's cost of service study. The revenue-to-cost ratio in the cost of
7 service study is used to assess fairness of Newfoundland Power's customer rates.
8 Maintaining revenue-to-cost ratios for each class within a range of 90% to 110% has
9 been an accepted approach to achieving fairness in rate design by avoiding undue
10 cross-subsidization among the various rate classes.³
11
- 12 d) Connection facilities, as per the definition provided in the response to part b), are
13 assets owned by a customer and not Newfoundland Power. As a result, they are not
14 included in Newfoundland Power's cost of service study.
15
- 16 e) The costs associated with the RFD Substation and transmission line 104L did require
17 a contribution from the customer. This is because the expected revenue from the
18 customer was insufficient to recover the cost of serving the customer.
19
- 20 f) Newfoundland Power has two customers that are served directly from the
21 transmission system.

³ This is consistent with the views of the Board as expressed in Order No. P.U. 7 (1996-1997), 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%*".