

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

2
3 **Q. Fair and Non-discriminatory Rates**

- 4 **a) Does requiring a customer to pay for connection facilities that benefit only that**
5 **customer violate long-standing regulatory principles that rates be fair and non-**
6 **discriminatory?**
- 7 **b) Does not requiring a customer to pay for connection facilities that benefit only**
8 **that customer violate long-standing regulatory principles that rates be fair and**
9 **non-discriminatory?**
- 10 **c) Please identify all occasions in the past when Newfoundland Power has**
11 **challenged Hydro's policy relating to specifically-assigned charges and explain**
12 **why Newfoundland Power challenged the policy.**

- 13
14 **A. a) Requiring a customer to pay the cost of providing them with service, whether through**
15 **the rates charged to the customer, or a through a contribution made by the customer**
16 **when those costs cannot be sufficiently recovered through rates, is consistent with the**
17 **principle that rates be fair and non-discriminatory.**

18
19 Newfoundland Power ensures that its service to customers is consistent with this
20 principle by applying its *Schedule of Rates, Rules and Regulations* and Contribution
21 in Aid of Construction (“CIAC”) Policy, which are both approved by the Board.¹ The
22 CIAC Policy recognizes that customers may pay all or part of the cost to provide
23 them with service through their customer rates. Where the cost of providing service to
24 a customer exceeds the revenue that will be received from the customer through their
25 approved rates, the customer is required to pay a contribution.²

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27 b) See part a).

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29 c) Newfoundland and Labrador Hydro (“Hydro”) has an Industrial – Firm rate for Island
30 Industrial customers.³ It includes Specifically Assigned Charges for each of its four
31 Island Industrial customers. The Specifically Assigned Charges recover Hydro’s
32 operating and maintenance costs associated with the specifically assigned assets as
33 well as Hydro’s return on equity, return on debt, and depreciation associated with
34 those assets.⁴ Hydro’s Industrial – Firm rate design is considered as part of Hydro’s
35 general rate applications.⁵ Newfoundland Power is not aware of a specific case where
36 the Company challenged Hydro’s policy to include Specifically Assigned Charges in
37 its Industrial – Firm rate design.

¹ Newfoundland Power’s *Schedule of Rates, Rules and Regulations, Effective July 1, 2023* was approved by the Board in Order No. P.U. 17 (2023). The Company’s most recently approved CIAC Policy was provided as Attachment A to the response to Request for Information CA-NP-134.

² See the response to Request for Information PUB-NP-137.

³ Hydro’s Industrial – Firm rate is typically reviewed and approved as part of a Hydro general rate application. Hydro’s most recent general rate application and Industrial – Firm rate design was approved by the Board in Order No. P.U. 30 (2019).

⁴ See Hydro’s *2017 General Rate Application, Volume 1 (Revision 5), July 4, 2018, Section 5.3.3 Allocation of Operating and Maintenance Costs to Specifically Assigned Assets*, page 5.9, footnote 9.

⁵ Hydro’s most recent general rate application and Industrial – Firm rate design was approved by the Board in Order No. P.U. 30 (2019).