

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

- 3 **Q. In P.U. 14(2023) (page 5) the Board states “In addition Newfoundland Power’s**
4 **approved cost of service and customer rates do not currently provide for**
5 **specifically-assigned charges for general service customers. Such a significant**
6 **change would require a full review of Newfoundland Power’s cost of service and**
7 **customer rates with the input of stakeholders, likely in a general rate application.”**
8 **a) Please confirm that in this GRA Newfoundland Power has proposed no changes**
9 **to the cost of service study and proposed no provision for specifically-assigned**
10 **charges. Given the controversy raised by Hydro and the Consumer Advocate,**
11 **please explain why.**
12 **b) If ordered by the Board to implement a policy on specifically-assigned charges,**
13 **what would Newfoundland Power propose?**
14 **c) If ordered by the Board to implement a policy on specifically-assigned charges,**
15 **what changes would Newfoundland Power make to its contribution in aid of**
16 **construction policy?**
17 **d) If ordered by the Board to implement a policy on specifically-assigned charges,**
18 **what changes would Newfoundland Power make to the cost of service study and**
19 **how long would it take make such modifications?**
20

- 21 A. a) It is confirmed. Newfoundland Power’s approved *Schedule of Rates, Rules and*
22 *Regulations* do not include Specifically Assigned Charges for any of its customer rate
23 classes.¹ Newfoundland and Labrador Hydro’s (“Hydro’s”) *Schedule of Rates, Rules,*
24 *and Regulations* also does not include Specifically Assigned Charges for its Domestic
25 and General Service customers.²
26

27 Newfoundland Power’s Contribution in Aid of Construction (“CIAC”) Policy
28 reasonably ensures that the cost of facilities that serve a particular customer are not
29 unduly borne by other customers that are not directly connected to them. Hydro also
30 applies Newfoundland Power’s CIAC Policy to its Domestic and General Service
31 customers.³
32

33 Specifically Assigned Charges are one component of Hydro’s Industrial-Firm rate
34 design.⁴ They apply to Hydro’s assets that serve individual Industrial customers.
35 Hydro’s Specifically Assigned Charges recover Hydro’s operating and maintenance
36 costs associated with the specifically assigned assets as well as Hydro’s return on
37 equity, return on debt, and depreciation associated with those assets.⁵
38

39 Newfoundland Power’s rate designs do not require the introduction of Specifically
40 Assigned Charges to recover the cost of providing service to customers. The

¹ See Newfoundland Power’s *Schedule of Rates, Rules and Regulations*, effective July 1, 2023.

² See Hydro’s *Schedule of Rates, Rules and Regulations*, updated January 1, 2024.

³ See the response to Request for Information CA-NP-149.

⁴ Hydro’s Industrial-Firm rate design also includes its own energy and demand charges applicable to Hydro’s four Industrial customers on the Island Interconnected System.

⁵ 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.

- 1 appropriateness of cost recovery associated with the cost of providing service to
2 customers is addressed through the application of existing Board-approved rates,
3 policies and methodologies. As such, no changes have been proposed by
4 Newfoundland Power.
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- 6 b) Newfoundland Power is currently undertaking an updated Rate Design Review, as
7 approved by the Board in Order No. P.U. 3 (2022). Newfoundland Power is not
8 proposing any changes to its rate designs at this time. The Company expects that any
9 changes in rate design will be considered by the Board subsequent to completion of
10 the ongoing Rate Design Review.
11
- 12 c) See part b).
13
- 14 d) See part b).