Volume 2: Cost of Service Study

Q. Newfoundland Power is treating the Memorial University substation as a common transmission asset in its cost-of-service study. Is the approach used by Newfoundland Power to functionalize this transmission asset as common consistent with the approach used by Newfoundland and Labrador Hydro in distinguishing between common and specifically assigned transmission assets? If no, please explain the differences.

A. Memorial ("MUN") Substation is a 66 kV-12.5 kV substation located in the center of St. John's. It includes transmission infrastructure that is integral to the Company's 66 kV transmission network serving the St. John's Region.[1] Reliable operation of the 66 kV transmission network is necessary to provide reliable service to customers in the St. John's Region.[2] Since transmission assets located at MUN Substation are necessary for the provision of service to customers in the St. John's Region, they are functionalized as transmission assets and are treated as common in Newfoundland Power's Cost of Service Study.[3] Costs associated with Newfoundland Power's common transmission assets are classified as 100% demand related and allocated to all customer rate classes based on their contribution to coincident peak ("CP").[4]

Newfoundland and Labrador Hydro's ("Hydro") Island Interconnected System includes transmission assets that serve more than one customer.[5] Hydro's Cost of Service Study functionalizes these transmission assets as common in the same manner as Newfoundland Power. Those transmission assets are considered common, are classified as 100% demand related, and are allocated to Hydro's customers based on their contribution to CP.[6]

Hydro's definition of specifically assigned plant is "*that equipment and those facilities which are owned by Hydro and used to serve the customer only*."[7] Newfoundland Power's transmission assets at MUN Substation, which serve multiple customers in the St. John's Region, do not fall within this definition.

---

1 Transmission lines 12L and 14L connect MUN Substation to Kings Bridge Road Substation in the east end of St. John's and Stamps Lane Substation in the center of St. John's. The transmission infrastructure at MUN Substation consists of 66 kV transmission breakers, switches, controls and other equipment necessary to keep 12L and 14L in service.

2 MUN Substation also contains infrastructure necessary to provide service to Memorial University, including the MUN-T1 and MUN-T2 66kV-12.5 kV transformers.

3 When costs are considered "common" in a cost of service study, costs are allocated to all customer rate classes and not an individual customer.

4 CP refers to single highest peak demand experienced on the electricity system in a year.

5 These customers include Newfoundland Power, Island Industrial Customers, and Island Interconnected Rural customers who have the same rate classes and pay the same rates as Newfoundland Power's Domestic and General Service customers.

6 See Hydro's *2018 Cost of Service Methodology Review Report*, November 15, 2018, pages 13-15.

7 See Hydro's *2017 General Rate Application, Volume II, Revised*, July 4, 2018, *Exhibit 13 – Cost of Service Expert Evidence*, page 11 of 60, footnote 3.