

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

- 3 **Q. a) Please quantify the additional amount in annual revenues that result from**
4 **Newfoundland Power Owning the transformers at the Memorial University**
5 **Substation rather than the University.**
6 **b) If Memorial University paid a contribution equal to the cost of transformation at**
7 **the substation, would the demand charge paid by the University be reduced by**
8 **the amounts provided in response to subsection a)?**
9 **c) Please explain if the charges paid by Memorial University as set out in (a) of this**
10 **question alleviate or reduce concerns on cross subsidization that may arise as a**
11 **result of Newfoundland Power funding the investment in transformation at the**
12 **Memorial University substation.**
13
- 14 **A. a) Memorial University’s monthly billing demand amounts to approximately**
15 **200,000 kVA on an annual basis. Newfoundland Power’s ownership of the 66kV–**
16 **12.5kV transformers located at Memorial (“MUN”) Substation and Long Pond**
17 **(“LPD”) Substation results in approximately \$100,000 in additional demand revenue**
18 **from Memorial University on an annual basis.¹**
19
- 20 **b) If Memorial University effectively owned the 66kV–12.5kV transformers providing**
21 **service to Memorial University, its demand charges from Newfoundland Power**
22 **would be reduced by \$100,000.²**
23
- 24 **c) If Memorial University owned the 66kV-12.5kV transformers at MUN Substation, it**
25 **would contribute less revenue as a General Service Rate #2.4 customer. Since**
26 **Memorial University does not own the transformers located at MUN Substation, it is**
27 **required to pay a higher demand charge that is reflective of higher costs required to**
28 **be recovered from customer rates to serve Memorial University. This relationship**
29 **between the cost to serve Memorial University and the rates paid by Memorial**
30 **University does alleviate concerns on cross subsidization that may arise as a result of**
31 **Newfoundland Power funding the investment in transformation at the MUN**
32 **Substation.**

¹ As per Newfoundland Power’s *Schedule of Rates, Rules and Regulations, Effective July 1, 2023*, Regulation 9(k), *Charges*, Newfoundland Power provides a \$0.40/kVA demand credit to customers supplied at distribution primary voltages between 4kV and 25kV and that have their own transformation. A \$0.90/kVA demand credit is provided to customers supplied at transmission voltages between 33 kV and 138 kV and that have their own transformation. Since Memorial University is supplied at a 12.5 kV distribution primary voltage and provides its own transformation and all other facilities beyond the designated point of supply, it receives a \$0.40/kVA credit. The additional revenue received by Newfoundland Power due to owning the 66kV–12.5 kV transformers is approximately \$100,000. $((200,000 \text{ kVA} \times (\$0.90/\text{kVA} - \$0.40/\text{kVA})) = \$100,000$.

² If Memorial University was required to pay a contribution towards the cost of the Newfoundland Power owned transformers because the revenue from Memorial University did not support the cost of the transformers, Memorial University would not get the demand credit as if it owned the transformers.