

1 **Q. (Application Volume 1, page 2-2) It is stated “The Company’s operating costs per**  
 2 **customer were reduced by approximately 16% on an inflation-adjusted basis over the**  
 3 **last decade.” Why have operating costs been reduced over the past decade but are**  
 4 **now increasing NP’s proposed rates by 2% (Application page 1-9)? How does**  
 5 **performance compare to a peer group of similar distribution companies, for example,**  
 6 **that used by Mr. Coyne (Application, Volume 3)?**

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 8 A. Newfoundland Power has filed an annual peer group measures report with the Board since  
 9 2005. The report compares the Company’s performance against a peer group of Canadian  
 10 utilities for reliability and safety-related metrics,<sup>1</sup> and a peer group of U.S. utilities for  
 11 cost-related metrics.<sup>2</sup> Data for the U.S. peer group is based on information filed with the  
 12 Federal Energy Regulatory Commission (“FERC”).<sup>3</sup>

13  
 14 Table 1 provides the operating cost per customer for the U.S. Peer Group in 2011 and  
 15 2020.

**Table 1:  
 U.S. Peer Group  
 Operating Cost per Customer  
 2011 and 2020**

	<b>2011</b>	<b>2020</b>	<b>% Change</b>
Actual	439	606	38%
Inflation Adjusted <sup>4</sup>	507	606	20%

16 On a per customer basis, operating costs increased by approximately 38% for the U.S. Peer  
 17 Group from 2011 to 2020, or an increase of 20% on an inflation-adjusted basis.

<sup>1</sup> Cost-related data is not available in a consistent format for the Canadian peer group.

<sup>2</sup> The U.S. peer group includes 19 utilities. These are: Ameren Illinois Company, Atlantic City Electric Company, Central Hudson Gas & Electric Company, Delmarva Power & Light Company, Duke Energy Kentucky Inc., Duquesne Light Company, Emera Maine, Green Mountain Power Corporation, Jersey Central Power & Light Company, Kingsport Power Company, Madison Gas and Electric Company, Metropolitan Edison Company, New York State Electric & Gas Corporation, Orange and Rockland Utilities Inc., Rockland Electric Company, The Narragansett Electric Company, Unitil Energy Systems Inc., West Penn Power Company, Wheeling Power Company. For information on these utilities, see *Peer Group Performance Measures for Newfoundland Power*, February 5, 2021, Appendix C.

<sup>3</sup> FERC requires major electric utilities under its jurisdiction to annually file prescribed information regarding their operations based on a FERC-defined system of accounts. The FERC filings are public information. The measures for the U.S. data are presented without any adjustment for exchange rates. With the significant shifting in exchange rates over time, converting U.S. dollar figures to Canadian values would greatly distort cost trends.

<sup>4</sup> Inflation-adjusted using the U.S. Consumer Price Index.

1 On a per customer basis, Newfoundland Power's operating costs decreased by  
2 approximately 16% on an inflation-adjusted basis.<sup>5</sup>

3  
4 Operating costs are not increasing Newfoundland Power's proposed rates by 2%. The  
5 customer rate increase proposed in this application is 0.8%. This rate increase is due to 3  
6 changes in the Company's cost of service, as explained in *Section 1: Introduction*.<sup>6</sup>  
7 Among these changes is a 2% increase in Newfoundland Power's costs, including  
8 continued investment in the electrical system, increased operating costs and the proposals  
9 contained in the application. Of this 2%, only 0.3% is attributable to an increase in  
10 operating costs.

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12 See response to Request for Information PUB-NP-005.

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<sup>5</sup> See the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2: Customer Operations, pages 2-30 to 2-31.

<sup>6</sup> See the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 1.2.1: 2022 and 2023 Revenue Requirements.