

1 **Q. (Application Volume 1, page 3-36) It is stated “On a ¢ per kWh basis, operating costs**
 2 **increased by approximately 10% over the period 2000 to 2020. When adjusted for**
 3 **inflation, operating costs decreased by approximately 24% over this period. This is**
 4 **reflective of sound cost management.” How does this compare to a peer group of**
 5 **similar distribution companies, for example, that used by Mr. Coyne (Application**
 6 **Volume 3)? Do other distribution companies employ sound management practices?**
 7 **Do other utilities prioritize capital projects? What is considered best practice?**

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

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 15 Table 1 provides operating costs on a ¢ per kWh basis for the U.S. Peer Group in 2000 and
 16 2020.

Table 1:
U.S. Peer Group Operating Costs
2000 and 2020
(¢ per kWh)

	2000	2020	% Change
Actual	1.27	2.95	132%
Inflation Adjusted ⁴	1.91	2.95	54%

17 On a ¢ per kWh basis, operating costs increased by approximately 132% for the U.S. Peer
 18 Group from 2000 to 2020, or approximately 54% on an inflation-adjusted basis.

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

² 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.

³ 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.

⁴ Inflation-adjusted using the U.S. Consumer Price Index.

1 On a ¢ per kWh basis, Newfoundland Power’s operating costs increased by approximately
2 10% from 2000 to 2020, or a decrease of approximately 24% on an inflation-adjusted
3 basis.⁵
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5 Newfoundland Power has not undertaken a review of the cost management or capital
6 project prioritization practices of other utilities.
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8 For information on how Newfoundland Power balances the cost and reliability of the
9 service provided to its customers, see response to Request for Information PUB-NP-010.
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11 For information on how the Company prioritizes capital projects, see response to Request
12 for Information CA-NP-054.

⁵ See the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2: Finance, page 3-36, Table 3-14.