

1 **Q. (Reference CA-NP-150)**

2 **With respect to the Extensions program's 2025 cost per connection being**  
 3 **significantly in excess of inflation, it is stated (footnote 2) that "The cost of**  
 4 **pole materials increased by an average of approximately 15%. Also, in 2023,**  
 5 **Newfoundland Power entered into a new contract for pole installation services**  
 6 **which resulted in a 23% increase in contract labour costs." and in the text of**  
 7 **the response "There was also an increase in the number of large-scale**  
 8 **extensions required to connect customers."**

- 9 **a) In light of such developments, why does the estimate for cost-per-**  
 10 **connection rely on historical averages when it is apparent that such recent**  
 11 **developments, which are known, drive the cost per connection?**  
 12 **b) Should not the estimate of the cost per connection be based on the most**  
 13 **recent pricing information rather than historical costs that no longer reflect**  
 14 **current circumstances and are not forward looking?**  
 15 **c) In Schedule B, page 17, Table 1, the expenditure on extensions in 2023, at**  
 16 **\$15.145 million, is much higher than in the previous three years and 2024F.**  
 17 **(i) What was the reason for this? (ii) Do the figures for total expenditures**  
 18 **and adjusted cost per customer include any CIAC? (iii) If so, please**  
 19 **reproduce Table 1 with all CIAC customers and payments removed.**  
 20 **d) Please provide a table with the same cost categories as Table 2 (Schedule B,**  
 21 **page 18) for the years, 2020 to 2024F.**

- 22  
 23 **A.** a) The overall cost per connection can vary depending on the number of customer  
 24 connections and the nature of the capital work requirements encountered each year.  
 25 Newfoundland Power uses its historical averaging methodology to determine a  
 26 reasonable estimate of the capital budget program expenditures for *Extensions* as the  
 27 specific work requests for 2025 have not yet been received. The actual cost incurred  
 28 will be based on the specific number and nature of line extensions to be undertaken  
 29 in 2025.  
 30  
 31 b) See part a).  
 32  
 33 c) (i) Part b) of the response to Request for Information CA-NP-150 outlines the drivers  
 34 for the cost increase in *Extensions* in 2023.<sup>1</sup>  
 35  
 36 (ii) The figures included in Table 1 do not include amounts received from customers  
 37 for CIACs. Actual contributions received from customers are recorded as reductions  
 38 against Newfoundland Power's net plant investment when calculating rate base.<sup>2</sup>  
 39  
 40 The figures included in Table 1 do include capital expenditures associated with  
 41 CIACs related to extensions.<sup>3</sup> The Company does not track all capital expenditures

<sup>1</sup> See also Newfoundland Power's *2025 Capital Budget Application, 2023 Capital Expenditure Report*, Appendix A, page 5.

<sup>2</sup> See Newfoundland Power's *2023 Annual Report to the Board*, Return 3 for the calculation of net plant investment and Return 7 for the annual contributions received from customers each year.

<sup>3</sup> For example, expenditures in 2023 included costs associated with the connection of two dairy farms in the town of Cormack. This CIAC was approved by the Board in Order No. P.U. 27 (2023).

1 associated with CIACs by capital program, therefore the information requested  
 2 cannot be provided. The Company can provide that actual capital expenditures  
 3 associated with CIACs are typically included in the *Extensions* and  
 4 *Relocate/Replace Distribution Lines for Third Parties* programs.  
 5

6 The overall proposed 2025 capital budget includes an estimated amount of  
 7 \$2,500,000 in CIACs that would be demanded of customers, and which will be  
 8 calculated in the manner approved by the Board.<sup>4</sup>  
 9

10 (iii) See part c)(ii).  
 11

12 d) Table 1 provides the capital expenditures by cost category for the *Extensions* program.

| Table 1:<br>Extensions Program<br>2020 to 2024F<br>(\$000s) |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| Cost Category   | 2020          | 2021          | 2022          | 2023          | 2024F         |
| Material  | 3,430         | 4,131         | 4,199         | 5,128         | 4,341         |
| Labour – Internal   | 3,454         | 3,658         | 3,844         | 4,137         | 4,249         |
| Labour – Contract   | 1,710         | 2,329         | 2,207         | 3,249         | 2,562         |
| Engineering   | 1,583         | 1,825         | 1,694         | 1,957         | 1,529         |
| Other   | 384           | 484           | 545           | 674           | 524           |
| <b>Total</b>  | <b>10,561</b> | <b>12,427</b> | <b>12,489</b> | <b>15,145</b> | <b>13,205</b> |

<sup>4</sup> See Newfoundland Power's *2025 Capital Budget Application, Application*, page 1, paragraph 3.