

- 1 **Q.** (Reference NLH-NP-014) It is stated “*The Company submits that there is no*
2 *reasonable basis for Newfoundland Power to forecast its 2026 operating costs to be the*
3 *same as the 2023 test year. That would disregard increases in inflation since the*
4 *Company’s last general rate application, as well as three years of actual operating costs*
5 *incurred by the Company since that time. Further, Newfoundland Power could not*
6 *achieve this scenario while delivering safe, reliable electricity to its customers.”*
7 **a)** With Newfoundland Power’s adoption of new technologies and investment in
8 new capital, is not the expected outcome an improvement in productivity?
9 **b)** If there is any improvement in productivity then does that not tend to decrease
10 the growth in, or even the level of, operating cost?
11
- 12 **A.** a) Implementation of new technologies can result in operating cost efficiencies. For
13 example, from 2022 to 2026, technology initiatives are forecast to reduce operating
14 labour costs by a total of approximately \$480,000.¹ This is approximately 1% of
15 forecast operating labour in 2026.²
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- 17 Capital expenditures, in general, are required to maintain the Company’s electrical
18 system and provide service to its customers, which not are justified based on
19 providing operating cost efficiencies.³ While the majority of capital expenditures are
20 not justified on providing specific cost efficiencies, the Board has recognized that
21 fully justified capital expenditures contribute to the delivery of least-cost service to
22 customers.⁴
23
- 24 Further, while implementation of new technologies can result in operating cost
25 efficiencies, Newfoundland Power’s operating costs are subject to inflationary
26 pressures as well as the Company’s work requirements. For a fulsome discussion on
27 Newfoundland Power’s operating cost management, see the response to Request for
28 Information PUB-NP-017.
29
- 30 **b)** See part a).

¹ See the response to Request for Information PUB-NP-036.

² $\$480,000 / \$43,882,000$ (2026 forecast operating labour costs) = 0.01, or approximately 1%. See Newfoundland Power’s 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2, Customer Operations, page 2-35, Table 2-9.

³ See section 37(1) of the *Public Utilities Act*, which requires a public utility to provide service and facilities which are reasonably safe and adequate and just and reasonable.

⁴ In Order No. P.U. 7 (2002-2003), the Board stated at page 31: “*From a regulatory perspective, efficient operations, fully justified capital expenditures and a low cost capital structure all combine to minimize revenue requirement, and hence provide least cost electricity to ratepayers.*”