

1 **Section 2: Customer Operations/Operating Costs**
2

3 **Q. References: “2025/2026 General Rate Application,” Newfoundland Power Inc.,**
4 **December 12, 2023, vol. 1, Evidence, sec. 2.4.1, p. 2-30, Table 2-4 and “2025/2026**
5 **General Rate Application – Additional Information,” Newfoundland Power Inc.,**
6 **December 13, 2023, sch. B, att. 1, sec. 2, p. 1, Table 2-4.**

7 **a) Please restate Table 2-4 to include 2023 Actuals and 2022 and 2023 Test Years.**
8 **Please include the dollar and percentage change between Actuals and Test**
9 **Years.**

10 **b) Please explain the reason for the increase in General Operating Costs in the 2022**
11 **and 2023 Actuals compared to 2022 and 2023 Test Years.**

12 **c) Please confirm that Newfoundland Power's operating costs for 2026 Forecast**
13 **increased by \$12.6 million over the 2023 Test Year. If Newfoundland Power had**
14 **maintained its 2023 Test Year Operating Costs, what would the rate impact be?**

15
16 **A. a) Please see Attachment A for Table 2-4 restated, as requested.**

17
18 **b) The Company's current customer rates are based on the 2023 Test Year. As such,**
19 **variance explanations between 2023 Actuals and 2023 Test Year are provided.**

20
21 The increase in General Operating Costs is primarily made up of changes in the
22 following functions: Information Systems, Financial Services, and Corporate and
23 Employee Services. For variance explanations, see the responses to Requests for
24 Information PUB-NP-018, PUB-NP-022, PUB-NP-024 and NLH-NP-027.

25
26 **c) The Company confirms that its operating cost forecast for 2026 is \$12.6 million**
27 **higher than the 2023 Test Year forecast filed as part of Newfoundland Power's**
28 **2022/2023 General Rate Application filed in May 2021.**

29
30 The Company submits that there is no reasonable basis for Newfoundland Power to
31 forecast its 2026 operating costs to be the same as the 2023 test year. That would
32 disregard increases in inflation since the Company's last general rate application, as
33 well as three years of actual operating costs incurred by the Company since that
34 time.¹ Further, Newfoundland Power could not achieve this scenario while delivering
35 safe, reliable electricity to its customers.

36
37 However, as requested, the *pro forma* revenue requirement for 2026 with operating
38 costs based on the 2023 Test Year would result in a 1.5% decrease in proposed
39 customer rates.²

¹ Since June 2021, inflation rates in Canada have significantly increased. Actual increases in the GDP deflator for Canada were approximately 11.2% higher than reflected in the Company's non-labour test year costs for 2023. See the response to Request for Information PUB-NP-018 for further information.

² \$12.6 million / \$835.8 million existing customer rates = 0.015, or approximately 1.5%. See the 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 10, page 1 of 1, line 15 for forecast customer billings under existing rates. See also the response to Request for Information PUB-NP-002.

Operating Costs by Function
2022 to 2026 Forecast

Newfoundland Power Inc.
 Operating Costs by Function
 2022 to 2026 Forecast
 (\$000s)

	2022TY	2023TY	2022A	2023A	2023F	2024F	2025F	2026F	2022A vs. 2022TY		2023A vs. 2023TY	
									(\$)	(%)	(\$)	(%)
Electricity Supply	28,705	30,106	31,578	32,240	31,730	32,690	33,794	34,876	2,873	10%	2,134	7%
Customer Services	11,096	11,257	10,681	10,860	11,177	11,319	11,700	12,074	(415)	-4%	(397)	-4%
General	26,681	27,593	28,271	29,937	29,585	32,829	33,589	34,653	1,590	6%	2,344	8%
Total	66,482	68,956	70,530	73,037	72,492	76,838	79,083	81,603	4,048	6%	4,081	6%