

1 **Section 2: Customer Operations/Operating Costs**  
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3 **Q. Volume 1, Section 2, page 2-2, lines 6-9. Please provide the annual inflation rate**  
4 **used and source for the reduction in operating costs over the last decade.**  
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6 A. In 2013, Newfoundland Power served 255,618 customers and had gross operating costs  
7 of approximately \$56,466,000. This resulted in a nominal operating cost per customer of  
8 \$221, or \$285 on an inflation-adjusted basis.<sup>1</sup> In 2022, the Company served 273,764  
9 customers and had gross operating costs of \$70,530,000. This resulted in an operating  
10 cost per customer of \$258.<sup>2</sup>

11  
12 Operating costs per customer were reduced by approximately 9.5% on an  
13 inflation-adjusted basis over the last decade.<sup>3</sup>

14  
15 Table 1 provides the annual inflation rates used to adjust the nominal operating costs.

**Table 1:  
Inflation Rates  
2013 to 2022  
(%)**

<b>Year</b>	<b>Labour Inflators<sup>4</sup></b>	<b>GDP<sup>5</sup></b>
2013	4.36	1.74
2014	4.25	1.95
2015	3.75	(0.88)
2016	3.54	0.75
2017	3.13	2.57
2018	1.75	1.62
2019	2.40	1.56
2020	2.92	0.57
2021	2.75	8.18
2022	3.00	7.21

<sup>1</sup> 2013 operating cost per customer on a nominal basis:  $\$56,466,000 / 255,618 = \$221$  per customer. 2013 operating cost per customer on a real basis in 2022 dollars:  $\$72,803,000 / 255,618 = \$285$  per customer.

<sup>2</sup>  $\$70,530,000 / 273,764$  customers = \$258 per customer.

<sup>3</sup>  $\$258 - \$285 / \$285 = 9.5\%$  reduction in gross operating costs per customer.

<sup>4</sup> Labour is inflation-adjusted using the Company's internal weighted labour inflation rates.

<sup>5</sup> Non-labour costs are inflation-adjusted using GDP deflators from the Conference Board of Canada's data release on August 2, 2023.