

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

3 **Q. Volume 1, Section 2, page 2-31, Table 2-5 and Additional Information, PUB**  
4 **Information Request (ii), Schedule B, Attachment 1, page 2 of 4. Administration and**  
5 **Engineering Support comprise close to 30% of total Operating Costs – Electricity**  
6 **Supply. Please provide details on what percentage of these costs are used by each**  
7 **Function and explain how specific costs are allocated between the Function and**  
8 **Engineering Support. For any third party vendors contracted to provide**  
9 **Administration and Engineering Support, please provide details on these**  
10 **arrangements.**

11  
12 A. Gross operating costs for Administration and Engineering Support include costs  
13 associated with electricity system operations and engineering which cannot be allocated  
14 to a specific function (e.g. distribution or transmission) or to a specific capital project.<sup>1</sup>  
15

16 Under the Company’s General Expenses Capitalized (“GEC”) methodology, a portion of  
17 these costs are reallocated to capital through indirect GEC transfers as approved by the  
18 Board in the Company’s *2022/2023 General Rate Application*.<sup>2</sup> For example, in 2023  
19 approximately \$2.4 million of Administration and Engineering Support costs were  
20 allocated to capital through indirect GEC. This reduces the net operating costs for  
21 Administration and Engineering Support for 2023 to \$7.0 million, or approximately 24%  
22 of the total Electricity Supply Function.<sup>3</sup>  
23

24 Net operating costs for Administration and Engineering Support primarily include the  
25 operation of the Company’s system control center, the remaining engineering, operations  
26 and administration costs, and central dispatch.  
27

28 Table 1 provides a breakdown of these net operating cost components as a percentage of  
29 the total Electricity Supply Function.

**Table 1:**  
**Administration and Engineering Support**  
**Breakdown by Components**

<b>Description</b>	<b>(%)</b>
Engineering, Operations and Administration Labour	12%
System Control Center	8%
Other Non-Labour <sup>4</sup>	4%
<b>Total</b>	<b>24%</b>

<sup>1</sup> The costs referenced are gross operating costs. See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 1*. For a reconciliation of gross operating costs to net operating expenses, see the response to Request for Information NLH-NP-039.

<sup>2</sup> See Order No. P.U. 3 (2022) and the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 6, Review of General Expenses Capitalized, Attachment B: Review of GEC Ratios*, page 5.

<sup>3</sup> (\$9.4 million – \$2.4 million = \$7.0 million / (\$31.7 million - \$2.4 million) = 24%). A similar portion of costs would be forecast to be allocated to indirect GEC annually through 2026.

<sup>4</sup> Includes operating costs for travel, operating materials and education and training costs that are coded directly to the Administration and Engineering Support function.

- 1 Newfoundland Power does not regularly use third-party vendors to provide general
- 2 Administration and Engineering Support.