

1 **Q. NP’s 2014 MD&A, Page 3 states:**

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3 *“Operating expenses increased by \$4.0 million, from \$55.7 million in 2013 to \$59.7*
4 *million in 2014. The increase reflects higher labor costs associated with restoration*
5 *and customer service efforts following the loss of generation supply from Hydro and*
6 *power interruptions in January 2014.”*

7
8 **Please provide a listing by cost type of the \$4.0 million referenced above. Please**
9 **confirm that these non-recurring expenses have been excluded from the 2016**
10 **Forecast.**

11
12 **A.** The quoted passage from Newfoundland Power’s 2014 Management Discussion and
13 Analysis (“MD&A”) is incomplete. See below the full explanation of the increase in the
14 Company’s operating expenses as provided in Newfoundland Power’s 2014 MD&A.¹
15 Dollar values have been added to the explanation.

16
17 2014 MD&A, Page 3 states:

18
19 “Operating expenses increased by \$4.0 million, from \$55.7 million in
20 2013 to \$59.7 million in 2014. The increase reflects higher labor costs
21 associated with restoration and customer service efforts following the loss
22 of generation supply from Hydro and power interruptions in January 2014
23 [\$1.3 million]. The increase in operating expenses also related to (i)
24 distribution maintenance costs, largely due to weather conditions
25 experienced in the winter of 2014 [\$0.2 million]; (ii) an increase in bad
26 debt expense associated with higher customer account balances during the
27 winter of 2014 [\$0.6 million]; and (iii) inflationary increases [\$1.8
28 million].”

29
30 Newfoundland Power does not forecast operating costs associated with loss of supply
31 from Newfoundland and Labrador Hydro. However, actual costs, including operating
32 costs, associated with loss of supply from Hydro has impacted Newfoundland Power’s
33 financial results for each of 2013, 2014 and 2015.

¹ Operating costs included in Newfoundland Power’s 2014 MD&A are on a financial reporting basis and include non-regulated expenses. See the response to Request for Information NLH-NP-051, Attachment A, for a breakdown of Newfoundland Power’s regulated operating costs.