

1 **Q. Re: Gross Operating Costs, page 3-25, Table 3-3**

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3 **Please explain the factors that caused the 2014 increase to be above the trend line**
4 **and the 2015 increase to be below the trend line.**

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6 A. The variability in Newfoundland Power's operating costs for the 3 years ending in 2015
7 substantially reflects the impact of electrical system events. This requirement increases
8 Customer Services and Electricity Supply costs.

9
10 *Customer Services Costs*

11 When storms, equipment failure or wholesale supply shortages interrupt service to
12 customers, Newfoundland Power is typically required to maintain its customer response
13 functions for extended periods of time.

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15 For example, during the supply shortage and outage events of January 2-8, 2014, the
16 Company's Customer Contact Centre operated for extended periods of over 80
17 consecutive hours. To help enable such extended service hours, Newfoundland Power
18 identifies and trains additional employees from staff functions such as human resources,
19 finance, conservation, regulatory, information services and audit to serve in the Customer
20 Contact Centre during major electrical system events.

21
22 *Electricity Supply Costs*

23 Electricity supply costs include electrical system operating maintenance activity. The
24 costs to respond to electrical system events are reflected in these costs.

25
26 For example, additional electricity supply costs necessary to respond to the supply
27 outages of January 2014 would have increased Administrative & Engineering Support
28 costs in 2014 over 2013. This would include labour costs, primarily due to increased
29 overtime requirements.

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31 Other cost changes, such as increased Uncollectible Bills costs since 2013 and decreased
32 costs due to operating cost efficiencies also contributed to the variability in the
33 Newfoundland Power's costs from 2013 to 2015.

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35 For further detail on Uncollectible Bills costs, please refer to *Section 2.2.3 Balancing*
36 *Costs and Service* of the Company's Evidence.

37
38 For further detail on the Company's operating cost efficiencies, please refer to the
39 response to Request for Information PUB-NP-011.