

1 **Q. In Hydro's 2006 GRA, NP asked Hydro in NP-8-NLH to "identify the efficiency**  
2 **initiatives and management's estimate of cost savings reflected in the 2007 Test Year**  
3 **attributable to these initiatives." Please confirm whether or not NP can produce the**  
4 **type of detailed information that it requested Hydro to produce in the above**  
5 **referenced request for information.**

6  
7 A. In Hydro's 2006 General Rate Application ("GRA") filing, Hydro forecast an increase in  
8 operating expenses of approximately \$5.6 million (or approximately 6.3 per cent) from  
9 2006 to 2007.<sup>1</sup>

10  
11 In its response to NP-8-NLH, Hydro identified a list of efficiency initiatives which were  
12 reflected in the 2007 test year.<sup>2</sup> The total dollar value of the efficiency gains attributed to  
13 these initiatives appeared to total approximately \$1 million.<sup>3</sup>

14  
15 The Company evidence filed in support of Newfoundland Power's 2008 GRA forecasts  
16 an increase in operating expenses (net of deferred regulatory costs, pension costs, and  
17 ERP costs) of less than \$500,000 (or less than 1 per cent) from 2007 to 2008.<sup>4</sup> In fact,  
18 Newfoundland Power's forecast of net operating expenses proposed to be included in  
19 2008 rates indicates an actual decrease of approximately \$1.3 million (or approximately  
20 2.4 per cent) from forecast 2007 net operating expenses.<sup>5</sup>

21  
22 Among the efficiency gains resulting from initiatives identified in Newfoundland  
23 Power's evidence filed in support of its 2008 GRA are operating cost reductions of  
24 (i) almost \$2 million per year as a result of the 2005 ERP<sup>6</sup> and (ii) approximately \$1.3  
25 million per year as a result of improved maintenance practices.<sup>7</sup> Both are reflected in  
26 Newfoundland Power's 2008 test year.

27  
28 Newfoundland Power observes that caution is required in direct comparisons of costs  
29 between the operations of different utilities.

30  
31 Newfoundland Power's evidence filed in support of its 2008 GRA provides detailed  
32 information which identifies efficiency initiatives and the estimate of cost savings  
33 reflected in the 2008 test year attributable to those initiatives.

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<sup>1</sup> See Schedule 1, M.G. Bradbury, page 1 of 10.

<sup>2</sup> The list of initiatives were provided by reference to responses to CA-118-NLH, CA-122 NLH and CA-124-NLH.

<sup>3</sup> The response to CA-118-NLH indicated a total of \$565,000; the response to CA-122-NLH indicated a total of \$345,000 and a *capital* contribution of \$3.5 million from the Provincial Government related to Hydro's VHF radio system; and the response to CA-124-NLH referred to a reduction in *positions*.

<sup>4</sup> See line 18 of Exhibit 1 or line 28 of Exhibit 2.

<sup>5</sup> See line 24 of Exhibit 1 or line 34 of Exhibit 2.

<sup>6</sup> See Exhibit 3.

<sup>7</sup> See pp. 27 *et seq.* of the Company evidence.