

1 **Volume 1, Section 2 – Customer Operations**
2

3 **Q. Please explain the extent to which the decrease in NP’s operating costs per customer**
4 **over the period 2002 to 2008 F is a function of growth in the customer base of NP**
5 **versus any other factor(s). Does NP believe that its operating costs per customer**
6 **would have tracked downward in the absence of the growth in the customer base**
7 **experienced over the period 2002 to 2008 F? If so, by how much per customer. If**
8 **not, why not?**
9

10 A. The Gross Operating Cost per Customer analysis presented in *Exhibit 1 Operating Costs*
11 *by Function: 2001 to 2008* compares the *actual* and *forecast* operating costs and number
12 of customers served by Newfoundland Power over that period.
13

14 Newfoundland Power has not assessed in detail whether its operating costs per customer
15 would have tracked downward in the absence of growth in the customer base.
16

17 For such an assessment to be meaningful, at a minimum, it would be necessary to
18 (i) assume no growth in the number of customers served; (ii) remove the additional costs
19 of serving new customers, such as meter reading and billing, from the actual and forecast
20 operating costs; and (iii) adjust for any impacts on operating costs of the Company’s not
21 having to incur the capital costs of serving new customers from the actual and forecast
22 operating costs.
23

24 As an assessment on these bases is not representative of either Newfoundland Power’s
25 experience or forecast, it has not been undertaken by the Company.