1   **Q.   (Reference Application Schedule B, page ii) It is stated "*In Newfoundland***
2   ***Power's view, trends for individual programs can be reasonably observed in***
3   ***total program costs over time. The Program Trend sections therefore provide***
4   ***graphs of five-year historical, current budget year, and five-year forecast***
5   ***expenditures for each program."***
6   **a) Please confirm that this statement was also made in NP's 2023 CBA**
7   **(Schedule B, page ii)**
8   **b) Please confirm that NP's method of "trending" is to use the five-year**
9   **average.**
10   **c) Does trending in the manner proposed by Newfoundland Power take**
11   **account of the impacts of new technology and efficiency improvements on**
12   **productivity and costs?**
13   **d) If program A had annual inflation-adjusted costs of $2 million, $4 million,**
14   **$6 million, $8 million and $10 million in years 1 to 5 respectively, and if**
15   **program B had annual inflation-adjusted costs of $10, $8 million, $6 million,**
16   **$4 million and $2 million in years 1 to 5 respectively, and program C had**
17   **annual inflation-adjusted costs of $6 million in each of the 5 years then,**
18   **according to NP's methodology, do all three programs have the same trend?**
19   **e) In the Program Trends sections, how can the forecast components, which**
20   **are based on the average of five historical years, represent part of a trend?**
21

22 **A.   a)** It is confirmed.
23

24   **b)** It is not confirmed. The *Program Trend* sections provide graphs of five-year
25   historical, current budget year, and five-year forecast expenditures for each
26   program.[1] The Company's method of forecasting future expenditures for programs
27   is detailed in each *Program Trend* section in the *Schedule B*.
28

29   **c)** Newfoundland Power's trending takes into consideration known and measurable
30   changes in program costs. As examples:
31

32   •   For programs classified as Access, such as the *Extensions*, *New Services*, and
33   *New Meters* programs, historical annual expenditures for these programs over
34   the most recent five-year period are expressed in current-year dollars
35   ("Adjusted Costs") and are divided by the number of new customers in each
36   year to derive a cost per connection. The average of these costs is inflated by
37   the GDP Deflator for Canada for non-labour costs and the Company's internal
38   labour inflation rate for labour costs, and then multiplied by the forecast
39   number of new customers for the budget year and future years.
40

41   •   Newfoundland Power has commenced a new units-based program, the
42   *Substation Protection and Control Replacements* program. The budget and
43   future costs for this program are based on forecast replacement quantities and
44   cost estimates for individual budget items. Quantities are forecast by

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[1]   The provision of five-year historical, current budget year, and five-year forecast expenditures is aligned with the
       information requirements set out for programs in the Provisional Guidelines, page 14 of 18.

identifying the number of replacements required as a result of device obsolescence and to accommodate operational and cybersecurity standards.

- Forecast expenditures for the *New Meters* and *Replacement Meters* programs include additional expenditures beginning in 2027 for a transition to meters with advanced functionality such as interval data, time-of-use data, demand read and reset, and remote disconnect capabilities.

- Cost efficiencies achieved are reflected in historical expenditures which are used to forecast capital budget amounts.

d) Newfoundland Power does not have enough information regarding the described hypothetical scenario to determine if each program has the same trend. The Company observes each hypothetical program has the same average annual cost. See part c) for examples of other considerations used by Newfoundland Power to determine the trend of a program.

e) See parts b) and c) above.