

- 1 **Q.** (Reference 2022 Capital Expenditure Report, Appendix A, Distribution  
 2 **Extensions, page 3 of 8)** With respect to the 21% cost overrun, it is stated "*The  
 3 **Extensions program budget is determined based on the forecast number of  
 4 **new customer connections and the average historical cost of constructing  
 5 **extensions*******" and "*The Extensions program includes the cost of extending  
 6 **existing lines to connect new customers. The amount spent varies based on the  
 7 **number of new customers connected and the amount of new line that must be  
 8 **built to connect those customers. The Company had forecast 2,038 new  
 9 **customer connections for 2022. The actual number of connections was 2,646,  
 10 **or 30% above plan, resulting in increased expenditures.***********"
- 11 a) Please confirm that based on the budget of \$10,333,000 and the forecast of  
 12 2,038 new customer connections in 2022 the implied average cost per new  
 13 customer connection would be \$5,070.
- 14 b) Please confirm that based on the actual expenditure of \$12,489,000 and the  
 15 actual number of 2,646 new customers in 2022 that the average new cost  
 16 per customer connection was \$4,720.
- 17 c) Why did the use of historical average costs lead to a higher average budget  
 18 cost per customer (\$5,070) than the actual average cost per customer  
 19 (\$4,720) in 2022?
- 20 d) Please provide a detailed comparison of budget and actual costs for this  
 21 project.
- 22 e) Please provide details as to how Newfoundland Power calculated 2,038 new  
 23 customer connections for 2022 and why the variation was 30% above?
- 24
- 25 **A.** a) It is confirmed.
- 26
- 27 b) It is confirmed.
- 28
- 29 c) See the response to Request for Information CA-NP-083, part d) for information  
 30 regarding the variability of annual costs per customer under this program.
- 31
- 32 d) Table 1 shows the budget and actual expenditures for the program from 2018 to  
 33 2022.

Table 1 Extensions Program Historical and Budgeted Expenditures (\$000s)		
Year	Budget	Actual
2018	11,738	11,274
2019	10,725	13,379
2020	11,318	10,561
2021	10,891	12,427
2022	10,333	12,489

- 1 e) Newfoundland Power forecasted 2,038 customer connections for 2022 based on the  
2 Conference Board of Canada's forecast of housing starts and completions from its  
3 medium-term outlook, together with a three-year average of the historical pattern  
4 between customer connections and housing starts and completions. This approach  
5 combines the Conference Board of Canada's outlook with Newfoundland Power's  
6 historical data to calculate a forecasted number of new customer connections. In  
7 2022, there were an additional 608 customers connected above the forecast of  
8 2,038 customer connections, which results in the 30% variation referenced.