

1 **Q. (Reference 2022 Capital Expenditure Report, Appendix A, Distribution**
 2 **Services, page 3 of 8) With respect to the 22% cost overrun, it is stated “The**
 3 **Services program budget estimate is determined based on the forecast number**
 4 **of new customer connections, the average historical cost of connecting a new**
 5 **customer, and the average cost of replacing existing services over the last five**
 6 **years. The budget was based on 2,038 new customer connections for 2022.**
 7 **Actual customer connections were 2,646, or 30% above plan. The higher**
 8 **number of new customer connections resulted in increased expenditures.”**

9 **a) Please confirm that based on the budget of \$3,038,000 and the forecast of**
 10 **2,038 new customer connections in 2022 the implied average cost per new**
 11 **customer connection would be \$1,491.**

12 **b) Please confirm that based on the actual expenditure of \$3,697,000 and the**
 13 **actual number of 2,646 new customers in 2022, the average cost per new**
 14 **customer connection was \$1,397.**

15 **c) Why did the use of historical average costs lead to a higher average budget**
 16 **cost per new customer (\$1,491) than the actual average cost per new**
 17 **customer (\$1,397) in 2022?**

18
 19 A. a) It is not confirmed.

20
 21 The 2022 *Services* capital project involved the installation of service wires to connect
 22 new customers to the electrical distribution system.¹ Also included in this project
 23 was the replacement of existing service wires due to deterioration, failure or
 24 damage, as well as the installation of larger service wires to accommodate
 25 customers’ additional loads. Newfoundland Power provided the budget estimate for
 26 new customer connections of \$2,470,000, estimated new customers of 2,038 and
 27 estimated cost per customer of \$1,212 in its *2022 Capital Budget Application*.² The
 28 estimated cost of replacement service wires of \$568,000 was also provided.³

29
 30 b) It is not confirmed.

31
 32 The calculation attributes costs associated with replacement services to new
 33 customers being connected. Newfoundland Power completed 2,646 customer
 34 connections as noted in the Request for Information. Of the \$3,697,000 actual
 35 expenditure, the cost of new services was \$3,469,000. This results in approximately
 36 \$1,311 per new customer.⁴

37
 38 c) The use of historical average costs did not lead to a higher average budget cost per
 39 new customer than the actual average cost per new customer in 2022.

40
 41 See the response to parts a) and b) above.

¹ Service wires are low-voltage wires that connect a customer’s electrical service equipment to the Company’s transformers.

² See Newfoundland Power’s *2022 Capital Budget Application, Schedule B*, page 30.

³ Ibid, page 31.

⁴ \$3,469,000 / 2,646 customers = \$1,311 per customer.