

- 1 **Q. (Reference CA-NP-119)**
 2 a) **Do the rates for the Street and Area Lighting class, or any customer class for**
 3 **that matter, reflect the unit costs derived in the cost of service study (fixed,**
 4 **demand and energy unit costs), or are rates designed to recover the revenue**
 5 **allocated to that class in the cost of service study?**
 6 b) **Please provide a comparison of each component of the unit costs derived in the**
 7 **cost of service study to the proposed rates for the Street and Area Lighting class.**
 8 c) **It is stated in Footnote 4 that in the 2022-2023 GRA the revenue to cost ratio for**
 9 **the Street and Area Lighting class was 105.3%, while in this GRA the revenue to**
 10 **cost ratio is 97.2%. Please identify and quantify the changes since the 2022-2023**
 11 **GRA that led to the decrease in the revenue to cost ratio for this class.**
- 12
- 13 A. a) The revenue-to-cost ratios for each class of service in the Company's *2022 Cost of*
 14 *Service Study* are between 90% and 110%. As such, Newfoundland Power is
 15 proposing to apply an average increase to each class of service, to the extent possible.
 16 Further, all rate components are proposed to increase by the average rate class amount
 17 to the extent possible, while maintaining cost differentials between certain rate
 18 components for each rate class to reflect differences in the cost of providing service.¹
 19
- 20 Given the variability in street and area lighting rate components, the rates in that class
 21 are developed based on recovered embedded costs with the price of fixtures, poles
 22 and wiring varying in a manner reflective of differences in their fixed costs and
 23 variable operating costs.
- 24
- 25 b) Table 1 provides the components of the unit costs derived in the *2022 Cost of Service*
 26 *Study* for the Street and Area Lighting rate class.² The Table also compares the total
 27 unit cost to the unit revenue for the Street and Area Lighting rate class based on the
 28 proposed customer rates for that class.

Table 1:
Street and Area Lighting Unit Cost and Revenue
(€/kWh)

Energy	6.1
Demand	6.7
Customer	11.2
Street Lighting ³	71.4
Total Unit Cost	95.4
Unit Revenue⁴	96.1

¹ See the *2025/2026 General Rate Application, Volume 1: Application, Company Evidence and Exhibits, 5.4.3 Changes to Rate Components* for further information.

² See the *2025/2026 General Rate Application, Volume 2: Supporting Materials, Cost of Service Study, Schedule 1.7*, line 17.

³ Since Street and Area Lighting is its own function and heavily capital related, there would be costs associated with Street Lighting that are allocated to that function represented in the Unit Street Lighting Costs.

⁴ Total 2026 proposed Street and Area Lighting revenue (excluding RSA and MTA impacts) of \$17.2 million / total Street and Area Lighting sales of 17.9 GWh = 96.1 €/kWh.

- 1 c) The revenue-to-cost ratio for the Street and Area Lighting rate class has decreased in
2 the *2022 Cost of Service Study* from the *2019 Cost of Service Study* due to the *pro*
3 *forma* revenue reduction related to LED structures associated with the execution of
4 the Company's *LED Street Lighting Replacement Plan*.⁵

⁵ The *pro forma* revenue savings from the execution of the Company's *LED Street Lighting Replacement Plan* is \$1.3 million, which impacts the revenue-to-cost ratio by approximately 8%.