

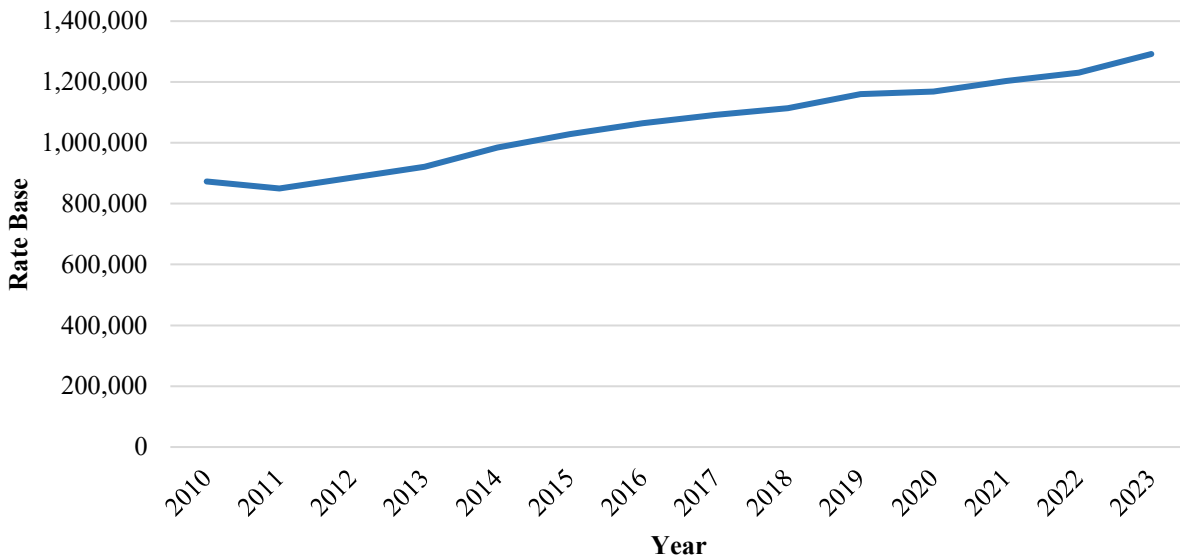
Section 2: Customer Operations/Reliability

Q. Reference: “2025/2026 General Rate Application,” Newfoundland Power Inc., December 12, 2023, vol. 1, Evidence, sec. 2.3.2, p. 2-21, f.n. 37.

- a) In a chart, please provide Newfoundland Power’s rate base from 2010 through 2023.**
- b) How has Newfoundland Power’s level of reliability changed in comparison to its rate base and capital expenditures during that time and what has been the rate impact of the increase in capital expenditures? Please express in dollars and as a percentage.**
- c) Has Newfoundland Power formally asked its customers and documented its customers’ perspective regarding their tolerance to pay for the current level of reliability in a format that can be used to support the cost and reliability balance regarding investments? If not, why not?**
- d) From a stakeholder input perspective, what documented methods does Newfoundland Power use to draw conclusions on its reliability investment decisions? Please include the most recent copies of such results.**

A. a) Figure 1 provides Newfoundland Power’s rate base from 2010 through 2023.

**Figure 1:
Newfoundland Power's Rate Base
2010 to 2023
(\$000s)**



b) Newfoundland Power’s reliability performance has been reasonably consistent since 2010.¹ The Company’s reliability performance over the last two decades is attributable to a number of factors including: (i) design and construction standards;

¹ See the response to Request for Information PUB-NP-041, Figures 2-5 and 2-6.

1 (ii) asset management practices; and (iii) operational response. For additional
2 information, see the response to Request for Information PUB-NP-056.

3
4 Over the period from 2010 to 2023, Newfoundland Power’s capital expenditures have
5 averaged approximately \$98 million annually, or \$117 million when adjusted for
6 inflation. Newfoundland Power’s capital expenditures represent the level of
7 investment necessary to meet the Company’s statutory obligations under the *Public*
8 *Utilities Act* and the *Electrical Power Control Act, 1994*. Annual capital expenditures
9 are the product of a comprehensive capital planning process that is based on sound
10 engineering and objective data.

11
12 There is a complex relationship between revenue requirements, customer rates and
13 capital investments. For example, projects related to customer growth can result in
14 higher electricity sales and some capital projects can lead to lower operating costs.²
15 Further, the refurbishment of hydro plants result in the continued provision of
16 low-cost energy to customers. The Board has previously recognized this relationship.³
17 The Board has also recognized that fully justified capital expenditures contribute to
18 the delivery of least-cost service to customers.⁴ Given the foregoing, as part of its
19 annual capital budget applications, Newfoundland Power assesses its overall
20 contribution to revenue requirement and customer rates over time.

21
22 Table 1 provides the Company’s contribution to revenue requirement, both in dollars
23 and as a percentage, over the 2010 to 2023 period.

**Table 1:
Contribution to Revenue Requirement
(\$millions)**

	2010	2023	\$ Change	% Change
Actual	177.7	239.3	61.6	35%
Inflation-Adjusted	239.7 ⁵	239.3	(0.4)	(0%)

24 On an inflation-adjusted basis, the Company’s contribution to revenue requirement is
25 consistent over the 2010 to 2023 period.

² See, for example, the response to Request for Information NLH-NP-007.

³ In Order No. P.U. 40 (2005), the Board stated: “NP undertakes a capital program and incurs capital expenditures each year and these expenditures impact the revenue requirement in other ways, in addition to depreciation. The portion of capital expenditures incurred for example as a result of customer growth will be offset somewhat by higher revenues from increased energy sales. Other capital expenditures may impact maintenance expenses...these expenses are properly dealt with in the context of a general rate application.”

⁴ In Order No. P.U. 7 (2002-2003), the Board stated: “From a regulatory perspective, efficient operations, fully justified capital expenditures and a low cost capital structure all combine to minimize revenue requirement, and hence provide least cost electricity to ratepayers.”

⁵ Inflation-adjusted in 2023 dollars using the GDP deflator for Canada dated August 2, 2023.

1 Table 2 provides the Company's contribution to customer rates, both in ¢/kWh and as
2 a percentage, over the 2010 to 2023 period.

**Table 2:
Contribution to Customer Rates
(¢/kWh)**

	2010	2023	¢/kWh Change	% Change
Actual	3.32	4.23	0.91	27%
Inflation-Adjusted	4.48 ⁶	4.23	(0.25)	(6%)

3 On an inflation-adjusted basis, the Company's contribution to customer rates has
4 decreased by 6% over the 2010 to 2023 period.

5
6 In Newfoundland Power's view, the Company's approach to capital planning tends to
7 minimize overall costs to customers over the longer term. This is consistent with the
8 least-cost delivery of reliable service to customers.

9
10 c) See the response to Request for Information CA-NP-004.

11
12 d) Newfoundland Power completes a capital budget each year which informs its
13 reliability investment decisions. The Company has a statutory obligation to provide
14 reliable service to customers. The annual capital budgets filed with the Board, which
15 are available on the Board's website, provide the justification of all projects necessary
16 to meet that obligation.

17
18 As an example, the *Distribution Reliability Initiative* project included with the annual
19 capital budget application aims to improve reliability on feeders where customers
20 experience service reliability significantly below the Company average. For
21 additional information on the effectiveness of the *Distribution Reliability Initiative*,
22 see the response to Request for Information PUB-NP-051.

23
24 See also the response to Request for Information CA-NP-004.

⁶ Inflation-adjusted in 2023 dollars using the GDP deflator for Canada dated August 2, 2023.