

- 1 **Q. (CA-NP-45) These questions relate to the January 24, 2018 Peer Group Report**
2 **attached to CA-NP-45.**
3
4 **a) It is stated on page 1 “This report is provided in fulfillment of the Company’s**
5 **commitment to report annually on the measures presented in the February 2005**
6 **Report. The performance information is updated to 2016.” When will the report**
7 **be updated to 2017?**
8
9 **b) It is stated on page 2 “The measures for the U.S. data are presented without any**
10 **adjustment for exchange rates. With the significant shifting in exchange rates**
11 **over time, converting U.S. dollar figures to Canadian values would greatly**
12 **distort cost trends.” Why not show results both with and without adjustments**
13 **for exchange rates adjusting the Canadian data to reflect the average dollar**
14 **exchange rate for each year as published by the Bank of Canada?**
15
16 **c) The SAIDI and SAIFI statistics on pages A-1 and A-3 appear to show that NP**
17 **reliability performance has lagged the Canadian average over the past 5 years**
18 **(through 2016) even when 2014 is removed from the calculation. NP information**
19 **filed with the application indicates that NP performance has far exceeded the**
20 **Canadian average. Please explain this discrepancy.**
21
22 **d) Does NP believe that the Island system experiences more severe storms than**
23 **other Canadian systems?**
24
25 **e) The report shows that U.S. costs are trending upward in a number of categories**
26 **(i.e., cost per customer, cost per MWh of sales, etc.). It is understood that this is**
27 **in part owing to decreasing sales. Are there other reasons for the increasing cost**
28 **trends in the U.S? Is NP forecasting a similar trend for its costs going forward in**
29 **light of Muskrat Falls and the Provincial economy? Please file any such cost**
30 **trends compiled by NP.**
31
32 **f) Page B-7 of the report indicates that NP has a much higher share of**
33 **“administration and other operating expenses” than U.S. utilities. Why? Do U.S.**
34 **utilities use a different accounting treatment for OPED costs?**
35
36 **A. a) As with previous iterations, Newfoundland Power expects to file the 2017 Peer Group**
37 **Report by year-end 2018 or early in 2019. This timing reflects the fact that US peer**
38 **group data for a particular year is not typically published until late the following year.**
39
40 **b) The Peer Group Report uses US utilities as peer group cost comparators because data**
41 **is not available for Canadian utilities. The cost measures shown in the Peer Group**
42 **Report are intended to reflect changes to cost trends at Newfoundland Power relative**
43 **to its US peers. The unadjusted data provides a better view of cost trends and are**
44 **more appropriate since Newfoundland Power’s costs are largely unaffected by**
45 **exchange rates.**

- 1 c) The reliability data shown in the Peer Group Report reflects data for all utilities
2 reporting to the Canadian Electricity Association (“CEA”). The data filed with the
3 Company’s *2019/2020 General Rate Application* reflects CEA Region 2 utilities.
4 Region 2 utilities are those that serve a mix of urban and rural markets. This group
5 includes Newfoundland Power and 18 other Canadian utilities.¹
6
- 7 d) All areas of the country experience storms from time to time. While the extent of
8 storms varies from year to year and the nature of storms can be different (i.e.
9 lightning versus sleet, etc.), data submitted to the CEA suggests that, on average, the
10 island of Newfoundland experiences as many storms as other parts of the country.
11
- 12 e) Newfoundland Power only has access to aggregate data for US utilities. Any attempt
13 by the Company to explain cost trends in US utilities would be purely speculative. As
14 such, Newfoundland Power cannot confirm whether changes in cost trends are “in
15 part owing to decreasing sales” or whether there are other reasons for the cost trends.
16
- 17 Newfoundland Power’s forecast operating costs for the period 2018 to 2020 were
18 filed in Exhibits 1 and 2 of this Application. These are the only forecasts available at
19 this time.
20
- 21 f) Newfoundland Power only has access to aggregate data for US utilities. Any attempt
22 by Newfoundland Power to explain cost trends in US utilities, including trends in
23 administration and other operating costs, would be purely speculative.
24

25 For the most part, electric utilities, including Newfoundland Power, follow the FERC
26 Uniform System of Accounts. As such, the Company is not aware of any basis to
27 suspect that US peers would treat OPEB costs any differently than Newfoundland
28 Power.

¹ The list of Region 2 utilities is provided in Newfoundland Power’s *2019/2020 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2: Customer Operations, Page 2-24.*