

1 **Q. Reference: “2021 Capital Budget Application,” Newfoundland Power, July 9, 2020,**
2 **2020 Capital Plan (sic), sec. 2.4.1, at pp. 16/14 to 17/3.**
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4 **Citation:**
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6 **Newfoundland Power’s investment in T&D assets has increased at a rate 10%**
7 **less than the average of other Atlantic Canadian utilities over the 10-year period**
8 **ending 2018. The Company’s capital investment in T&D assets has, in fact,**
9 **increased at the lowest rate of any Atlantic Canadian utility. At the same time,**
10 **Newfoundland Power experienced the highest rate of growth in customers**
11 **served of these utilities.**
12

13 **Please explain how this metric is relevant to Newfoundland Power’s capital**
14 **investment alone, without normalizing for transmission investment made by**
15 **Newfoundland and Labrador Hydro to serve Newfoundland Power’s customers**
16 **over this same time period.**
17

18 **A.** There are 2 accepted methods utilized by utilities to provide benchmarking comparisons
19 with peers: normalized metrics and year over year comparisons.
20

21 The intent of this comparison is *not* to look at the cost of providing T&D service to the
22 utilities’ respective customers. To that end, the use of a normalized comparator would
23 not be appropriate without normalizing for the Newfoundland and Labrador Hydro
24 transmission investment required to serve Newfoundland Power’s customers. This data
25 is not readily available to Newfoundland Power.
26

27 However, year over year comparisons provide a method which can be used to measure
28 relative change over time. For cost comparisons this method is particularly effective
29 when comparing utilities with a different transmission/distribution mix because the
30 relative inflationary increase in cost is similar regardless of the mix of transmission and
31 distribution work carried out by the utilities.
32

33 The year over year comparison as presented provides a relevant and effective comparison
34 of how the respective investment in T&D assets by the Atlantic Canadian Utilities has
35 changed over time.