

1 **Reference: Volume 2, Review of General Expenses Capitalized**  
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3 **Q. Volume 2 Review of General Expenses Capitalized. On page 3, Appendix B, it is**  
4 **noted that general expenses for system operations are currently charged directly to**  
5 **GEC; however, Newfoundland Power is proposing in this Application that a ratio of**  
6 **10% of system operations general expenses is appropriate and justifies it based on a**  
7 **reduction of 2 FTEs in this area if there was no capital program. Please explain**  
8 **what has changed in Newfoundland Power’s rationale in determining the**  
9 **appropriate cost ratio for this cost category since Order No. P.U. 3(1995-96).**  
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11 A. As part of the *Review of General Expenses Capitalized* (the “GEC Review”),  
12 Newfoundland Power completed a review of each general expense to determine the  
13 appropriate cost ratios to be applied in allocating general expenses to GEC. The  
14 Company approached the review of each general expense as if no ratio existed to  
15 determine appropriate ratios given current operations. Newfoundland Power then  
16 assessed the reasonableness of the revised ratios by comparing the amount of GEC  
17 determined using the revised ratios to the amount of GEC determined using the existing  
18 GEC ratios.<sup>1</sup>  
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20 With respect to system operations, the Company’s System Control Centre (“SCC”) is  
21 required to operate 24 hours a day. Currently, Newfoundland Power employs 4 teams of  
22 3 Power System Operators (“PSOs”) at the SCC.  
23

24 As part of the GEC Review, Newfoundland Power concluded that there would be lower  
25 work requirements to be performed by PSOs if there were no capital program.<sup>2</sup> For  
26 example, the SCC would not be required to complete switching orders, protection  
27 guarantees or isolation and grounding requirements associated with capital work.  
28

29 Based on the lower work requirements, if there were no capital program, it would be  
30 possible to reduce 1 PSO on each shift, or 4 PSOs in total. Both the existing and revised  
31 ratios reflect this reduction. However, given the practicalities of worker requirements for  
32 vacation and unplanned leave, it was determined that 2 relief workers would be added to  
33 the SCC to ensure proper staffing could be maintained 24 hours a day.  
34

35 The net reduction of 2 full-time equivalents in the SCC represents a reduction of  
36 approximately 10% in the operating costs for system operations.  
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38 Accordingly, it is the Company’s view that applying a GEC ratio for system operations of  
39 10% is appropriate.

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<sup>1</sup> Under the revised ratios, total GEC is approximately \$3.5 million, or \$0.1 million higher than if total GEC was determined using existing ratios. See the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 6, Review of General Expenses Capitalized, Appendix B*, page 5.

<sup>2</sup> For a discussion of the lower work requirements, see the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 6, Review of General Expenses Capitalized, Appendix B*, pages 2 and 3.