

1 **Q. DISTRIBUTION**

2
3 **PUB 47.0**

4
5 **B-30 Services**

6 **Please explain the 10% increase in the unit cost for “New Services” from 2004 to**
7 **2005.**

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9 A. As is evident in Table 2, page 31, Schedule B of the Application, the number of new
10 customers connected to the electrical system can vary significantly from year to year. In
11 2003 and 2004, Newfoundland Power experienced significantly higher customer growth,
12 principally in new residential subdivisions in the St. John’s area.

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14 The unit cost of new service connections in new residential subdivisions tends to be
15 lower than average as a result of the economies of scale associated with higher density
16 residential areas. For example, new services in higher density subdivisions generally
17 require fewer service poles. Consequently, the higher proportion of urban residential
18 subdivisions in the customer growth experienced in 2003 and 2004 resulted in relatively
19 low unit costs in those years.

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21 The 10% increase in the forecast unit cost for New Services in 2005 is due primarily to
22 an expected decrease in the proportion of new customer connections in new subdivisions
23 in the St. John’s area, and a return to the more typical overall composition of new
24 customer connections. In 2004, new residential customers in the St. John’s area
25 accounted for 50 per cent of total new customer growth. In 2005, the proportion is
26 forecast to be reduced to 46 per cent.