

1 **Q. In the Company's Evidence at page 12, lines 2-4 it states:**

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3 **"For 2013 through 2015, revenue requirement impacts are negative. This**  
4 **primarily reflects ongoing diseconomies of scale due to shared ownership of**  
5 **Joint Use Support Structures as compared to single ownership."**

6  
7 **Please fully explain how the shared ownership of Joint Use Support Structures as compared**  
8 **to single ownership gives rise to ongoing diseconomies of scale.**

9  
10 **A.** The reference in the cited passage to ongoing diseconomies of scale specifically refers to  
11 a forecast increase in annual administration costs of approximately \$100,000, consisting  
12 of an annual payment of approximately \$50,000 to Bell Aliant for access to the new GIS  
13 database and \$50,000 representing increased coordination requirements between  
14 Newfoundland Power and Bell Aliant.

15  
16 Moving from single ownership to shared ownership of Joint Use Support Structures will  
17 alter the overall composition of Newfoundland Power's operating costs associated with  
18 Joint Use.<sup>1</sup> The relatively small increase in administration costs will be more than fully  
19 offset over the term of the 2011 Joint Use Agreement (the "2011 JUA").

20  
21 Exhibit 8 shows that the negative revenue requirement impacts mentioned in the cited  
22 passage decline steadily from 2013 through 2015. Should the 2011 JUA be extended for  
23 a further 5 years, the negative revenue requirement impacts are forecast to decline further  
24 through 2018. In 2019 and 2020, forecast revenue requirement impacts are positive.<sup>2</sup>

25  
26 The revenue requirement analysis shows that, despite any increase in costs associated  
27 with shared ownership of Joint Use Support Structures, the costs *borne by Newfoundland*  
28 *Power's customers* will be lower than had the Joint Use Facilities Partnership Agreement  
29 been renewed in 2011 based on current financial parameters.

30  
31 From an overall perspective, any minor cost increases resulting from diseconomies of  
32 scale associated with shared ownership are far outweighed by the large economies  
33 associated with Joint Use.<sup>3</sup>

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<sup>1</sup> See the response to Request for Information PUB-NP-78 for a detailed explanation of incremental changes in Joint Use operating costs associated with the proposed sale.

<sup>2</sup> See the response to Request for Information PUB-NP-81.

<sup>3</sup> See Prefiled Evidence Page 3, line 15 to Page 4, line 7.