

1 **Q. Page 1-4, line 10: Please describe in detail the practices or initiatives Newfoundland**  
2 **Power relies on for sound cost management. In the response provide cost savings, if**  
3 **any, associated with each practice or initiative in the period 2016-2018F.**  
4

5 **A. A. Cost Management at Newfoundland Power**  
6

7 Newfoundland Power's approach to cost management is to ensure that long-term cost  
8 control is reasonably balanced with service quality.  
9

10 The Company employs prudent management and sound engineering judgment in its  
11 annual capital budget applications. Well established economic analyses and competitive  
12 procurement processes are used to ensure capital expenditures are consistent with the  
13 least-cost delivery of reliable service.  
14

15 The Company's approach to operating cost management involves a number of initiatives  
16 of varying size, which combine to reduce *overall* costs. A focus on overall cost  
17 management minimizes rates charged to customers and is consistent with the Company's  
18 statutory obligation to deliver reliable service at least cost.  
19

20 Over the last 20 years, Newfoundland Power has achieved sustained reductions in  
21 operating costs per customer. At the same time, the Company's service reliability has  
22 improved and customer satisfaction has remained reasonably consistent. Further details  
23 of the Company's long-term performance on cost management, service reliability and  
24 customer satisfaction are provided in response to Request for Information PUB-NP-003.  
25

26 Newfoundland Power does not maintain an exhaustive inventory of all initiatives that  
27 contribute to cost management. However, the Company completed a number of  
28 initiatives over the 2016 to 2018 timeframe that contribute to overall cost management.  
29 Examples of these initiatives are provided below.  
30

31 **B. Cost Management Initiatives: 2016 to 2018**  
32

33 ***Automated Meter Reading ("AMR")***

34 Newfoundland Power substantially completed the automation of its meter reading  
35 function in 2017. Meter reading is necessary to facilitate accurate customer billing. At  
36 year-end 2017, there were approximately 254,000 customer meters in Newfoundland  
37 Power's service territory.  
38

39 AMR technology enables the Company to read meters remotely using a digital receiver.  
40 This avoids the need to visit each customer's property and allows Newfoundland Power  
41 to read meters more efficiently. As a result of the completed deployment of AMR  
42 technology, meter reading operating costs were reduced by approximately \$1.8 million,  
43 or 65%, between 2012 and 2017.<sup>1</sup>

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<sup>1</sup> Automation of the Company's meter reading function is described in *Volume 1, Application, Company Evidence and Exhibits, Section 2.2.2 Balancing Costs and Service, Page 2-6 to 2-7.*

1 **Paperless Billing (“ebills”)**

2 Newfoundland Power continued to promote ebills to customers. The number of  
3 customers participating in ebills increased by approximately 20% per year from 2013 to  
4 2017. The Company has the second highest proportion of electronically billed customers  
5 in the Canadian electric utility sector.

6  
7 The annual cost of issuing ebills is approximately \$10.18/customer less than issuing  
8 paper bills. This reflects avoided printing, paper, envelope and postage charges. For  
9 example, the Company’s postage costs are forecast to decrease by approximately 15%, or  
10 \$230,000, between 2015 and 2020. This cost reduction is offset to a degree by a 15.5%  
11 increase in postal rates over the same period and a forecast increase in the number of  
12 customers of 3.6%.<sup>2</sup>

13  
14 **Customer Communications**

15 Customers are increasingly choosing digital channels to communicate with  
16 Newfoundland Power. For example, over the period 2013 to 2017, visits to the  
17 Company’s website more than doubled from approximately 1.0 million to 2.8 million,  
18 accounting for approximately 80% of all customer-initiated contacts in 2017.

19  
20 Visits to Newfoundland Power’s website include the use of customer self-service options,  
21 which allow customers to view their balance, check the status of outages, and obtain  
22 other information online without having to call the Company. This achieves cost savings  
23 as the cost of a call handled by a Customer Service Representative is over \$8 per call,  
24 while the cost of a contact via the website is less than 10¢ per contact.<sup>3</sup>

25  
26 The Company relaunched its website in January 2018 to better serve customers. The new  
27 website allows customers to more seamlessly use self-service options and other features  
28 using mobile devices. This will ensure efficiencies continue to be realized.

29  
30 **Electrical System Automation**

31 Newfoundland Power has continued to automate its electrical system. From 2015 to  
32 2017, the number of automated distribution feeders in the Company’s service territory  
33 increased from approximately 80% to nearly 90%.<sup>4</sup>

34  
35 Such automation allows electrical system assets to be controlled remotely through the  
36 Company’s Supervisory Control and Data Acquisition (“SCADA”) system. This  
37 mitigates the need to dispatch field crews to energize or de-energize a distribution feeder  
38 and allows field crews to focus on restoring service to customers. Such capabilities  
39 create efficiencies and enable cost savings, particularly during significant events. For

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<sup>2</sup> Customer participation in ebills and related savings are described in the Company’s 2019/2020 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.2.2 Balancing Costs and Service, Page 2-7 to 2-8.

<sup>3</sup> See Volume 1, Application, Company Evidence and Exhibits, Section 2.2.2 Balancing Costs and Service, pages 2-8 to 2-9.

<sup>4</sup> The number of automated distribution feeders is provided in response to Request for Information PUB-NP-021.

1 example, during the severe wind storm that occurred in March 2017, the operation of 20  
2 downline reclosers avoided over 1 million customer outage minutes without the  
3 assistance of field crews.  
4

### 5 ***Outage Management***

6 In 2018, Newfoundland Power commenced the replacement of its Outage Management  
7 System (“OMS”).<sup>5</sup> The new OMS will introduce a greater degree of automation within  
8 the Company’s outage management processes. For example, the system will use  
9 information in the SCADA system to automatically assess the likely cause and location  
10 of outages throughout the Company’s 70,000 km<sup>2</sup> service territory.  
11

12 The automatic assessment of outages will provide field staff with better information on  
13 the likely cause and location of outages. This will improve the efficiency and cost  
14 effectiveness of field assessments. For example, the approximate overtime cost of a  
15 2-person line crew is \$225/hour; the approximate overtime cost of a technologist is  
16 \$100/hour. Reducing the time required to locate an outage at night by 2 hours would  
17 therefore yield savings of approximately \$650 for a single outage call. Newfoundland  
18 Power will assess the level of efficiencies provided by the system once sufficient data  
19 becomes available following implementation in 2019.  
20

### 21 ***LED Street Lighting***

22 Newfoundland Power substantially completed its assessment of Light Emitting Diode  
23 (“LED”) street lighting technology in 2018. LED fixtures are more efficient and reliable  
24 than traditional High Pressure Sodium (“HPS”) fixtures. LED fixtures also require less  
25 maintenance, thereby reducing related operating costs.  
26

27 In 2018, the Company completed a net present value analysis that showed LED fixtures  
28 are the least-cost option to provide street and area lighting service to customers. A  
29 survey of customers living in close proximity to existing trial installations also showed  
30 LED street lights are the preferred lighting option among customers.<sup>6</sup>  
31

32 As part of its *2019/2020 General Rate Application*, the Company is proposing to  
33 introduce a new customer rate for LED fixtures. Customers availing of this rate will  
34 experience savings of between 8% and 39% in comparison to existing rates. This reflects  
35 the cost savings provided by the more efficient and reliable technology.

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<sup>5</sup> See the Company’s *2018 Capital Budget Application, Report 5.5, Outage Management System Replacement and Enhancement*.

<sup>6</sup> See *Volume 2, Supporting Materials, Reports, Tab 1, LED Street Lighting*.