Q. Further to the response to PUB-NP-002 which asked for cost savings initiatives and the associated savings of each initiative, has Newfoundland Power identified quantifiable saving in the test years associated with the following initiatives listed in the response: Customer Communications, Electrical System Automation, and LED Street Lighting? If yes, provide the forecast savings and if no, explain why savings have not been quantified and provided in the response.

A. Newfoundland Power does not believe that *all* initiatives that contribute to sound cost management necessarily yield *cost savings* to the Company.

For example, initiatives which permit Newfoundland Power to respond more effectively to increasing volumes of customer-initiated contacts without contributing to corresponding cost increases would be an example of sound cost management which does not produce quantifiable savings. Similarly, improved distribution system resilience can provide more cost-effective response in emergency circumstances, but not necessarily produce quantifiable savings. Other initiatives pursued by the Company that contribute to sound cost management may not provide savings to Newfoundland Power, but nevertheless provide savings to customers.

Initiatives pursued by Newfoundland Power to respond more effectively to increasing volumes in customer-initiated contacts have yielded significant quantifiable savings. These are described in detail in the Company's *2019/2020 General Rate Application* at page 2-6:

> *Over the 20-year period from 1998 to 2017, the number of customers served by Newfoundland Power increased by approximately 54,000 and customer-initiated contacts increased by approximately 2.4 million.*[1] *Over the same period, the Company reduced its customer service costs by approximately 8%*.[2]

Effective response to significant electrical system events is a cornerstone responsibility for an electric utility. In times of system distress, the ability to reduce the duration of customer outages without dispatching field crews to operate the electrical system reduces costs. Newfoundland Power does not, however, forecast the costs of responding to significant electrical system events. So, the increased use of automation contributes to sound cost management, but is not quantifiable. The Company's current approach to electrical system automation was specifically endorsed in the investigation following the widespread customer outages in 2014 known as #darkNL:

> *Downstream reclosers can reduce by about one-half the number of customers affected by feeder faults occurring past the downstream recloser. Newfoundland Power currently makes only minimal use of these devices. It will have installed some more by the end of 2014. Continuing to install more of these reclosers over time,*

[1] In 1998, the Company received approximately 354,000 contacts from customers, all via telephone. This compares to approximately 2.7 million contacts received in 2017, excluding contacts regarding the RSP Refund.

[2] See *2019/2020 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2: Customer Operations, Page 2-6.*

> *beginning with those worst and mediocre performing feeders that have substantial loads would be consistent with good utility practices, and presents a likely more cost effective way of further improving distribution reliability.*[3]

Cost savings associated with LED street lighting are primarily related to reduced energy consumption and reduced maintenance costs. Forecast purchased power costs in 2019 and 2020 are approximately $50,000 and $120,000 lower than they otherwise would be if the Company continued to install High Pressure Sodium fixtures.[4] Operational cost savings related to reduced maintenance requirements will be realized beyond 2020 when the installation of LED fixtures becomes more widespread throughout Newfoundland Power's service territory.[5] The impact of both these cost efficiencies are reflected in the proposed LED street lighting rates within this Application, which are between 8% and 39% less than the Company's existing service offering.

[3] See the Liberty Consulting Group, *Report on Island Interconnected System to Interconnection with Muskrat Falls Addressing Newfoundland Power*, December 17, 2014, pages 24-25.

[4] An average of approximately 3,600 LED fixtures are forecast to be in service in 2020, reducing lighting consumption by 1,000 MWh.

[5] LED fixtures require approximately ⅓ the maintenance of High Pressure Sodium fixtures over their service life. See the Company's *2019/2020 General Rate Application, Volume 2, Support Materials, Report 7, LED Street Lighting Report*, Page 7, lines 6 to 9.