

**WHENEVER. WHEREVER.  
We'll be there.**



February 24, 2021

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Dear Ms. Blundon:

**Re: Newfoundland Power Inc. - 2021 Capital Budget Application - Customer Service System Replacement Project – Submission of Newfoundland Power Inc.**

Please find enclosed the Submission of Newfoundland Power in relation to the Company's *2021 Capital Budget Application – Customer Service System Replacement Project*.

If you have any questions, please contact the undersigned at your convenience.

Yours truly,

Kelly Hopkins  
Corporate Counsel

Enclosures

cc. Shirley Walsh  
Newfoundland and Labrador Hydro

Dennis Browne, Q.C.  
Browne Fitzgerald Morgan & Avis

**Newfoundland Power Inc.**

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**IN THE MATTER OF** the *Public Utilities Act*, (the "Act"); and

**IN THE MATTER OF** an application by Newfoundland Power Inc. for an order pursuant to Section 41 of the Act approving multi-year capital expenditures of \$31,646,000 associated with replacement of its Customer Service System.

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**SUBMISSION OF  
NEWFOUNDLAND POWER INC.**

**CUSTOMER SERVICE SYSTEM  
REPLACEMENT PROJECT**

**FEBRUARY 24, 2021**

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1    **1.0    INTRODUCTION**

2    Newfoundland Power Inc.’s (“Newfoundland Power” or the “Company”) *2021 Capital Budget*  
3    *Application* (the “Application”) was filed with the Newfoundland and Labrador Board of  
4    Commissioners of Public Utilities (the “Board”) on July 9, 2020.

5

6    The Application seeks an order of the Board, pursuant to Section 41(1) of the *Public Utilities*  
7    *Act*, approving capital expenditures of approximately \$31,646,000 to replace Newfoundland  
8    Power’s Customer Service System (the “CSS Replacement Project” or the “Project”).

9

10   Consideration of the CSS Replacement Project proceeded separately from the remainder of the  
11   Application.

12

13   This submission will: (i) review the legislative framework under which the Project is proposed;  
14   (ii) summarize the process engaged in by the Board and parties in considering the Project; (iii)  
15   provide an overview of key considerations for the Board with respect to the Project; (iv) address  
16   issues raised by the Consumer Advocate; and (v) conclude with Newfoundland Power’s  
17   submissions with respect to the Project.

18

19   **2.0    LEGISLATIVE FRAMEWORK**

20   Section 37(1) of the *Public Utilities Act* requires a public utility to provide service and facilities  
21   that are reasonably safe and adequate and just and reasonable. Section 37(1) is a cornerstone of  
22   Newfoundland Power’s obligation to serve its customers.

1      Section 3(b) of the *Electrical Power Control Act, 1994* states that all sources and facilities for the  
2      production, transmission, and distribution of power in the province should be managed and  
3      operated in a manner that would result in:

4

- 5            (i)     The most efficient production, transmission, and distribution of power;
- 6            (ii)    Consumers in the province having equitable access to an adequate supply of  
7                power; and
- 8            (iii)   Power being delivered to consumers at the lowest possible cost consistent with  
9                reliable service.

10

11     Section 3(b) does not create a hierarchy among these 3 principles; rather, each is equally  
12     important in the management and operation of electrical facilities in the province.

13

14     Section 41(3) of the *Public Utilities Act* prohibits a utility from proceeding with an improvement  
15     or addition to its property in excess of \$50,000 without the Board's prior approval.

16

17     The principal focus of this submission is whether Newfoundland Power's proposed CSS  
18     Replacement Project is reasonably required for the Company to continue meeting its statutory  
19     obligations in serving its approximately 270,000 customers.

20

21     Newfoundland Power submits that the proposed CSS Replacement Project is necessary to  
22     continue meeting its statutory obligations under Section 37(1) of the *Public Utilities Act* and  
23     Section 3(b) of the *Electrical Power Control Act, 1994*.

1   **3.0     PROCESS**

2   On July 10, 2020, the Board established a schedule for hearing the Application, including the  
3   CSS Replacement Project. The schedule provided for, among other things, the submission of  
4   Requests for Information (“RFIs”) from the Board, Consumer Advocate and Newfoundland and  
5   Labrador Hydro (“Hydro”).

6

7   On August 19, 2020, Newfoundland Power received 181 RFIs in relation to the Application,  
8   including 44 RFIs in relation to the CSS Replacement Project. Newfoundland Power responded  
9   to all RFIs on September 9, 2020.

10

11   Following a request by the Consumer Advocate, on October 9, 2020, the Board directed  
12   Newfoundland Power to hold a technical conference on the CSS Replacement Project. The  
13   Board also directed that the Project would proceed separately from the remainder of the  
14   Application.

15

16   Newfoundland Power held a technical conference on the Project on November 10, 2020. The  
17   technical conference was attended by Board staff, the Consumer Advocate and Hydro.

18

19   Two additional rounds of RFIs were held on the CSS Replacement Project following the  
20   technical conference. On December 1, 2020, Newfoundland Power responded to 38 RFIs from  
21   the Board and Consumer Advocate. On January 26, 2021, the Company and its expert for the  
22   Project, Ernst and Young LLP (“EY”), responded to an additional 43 RFIs from the Board and  
23   Consumer Advocate.

1 On February 16, 2021, Hydro advised that it has no comments on the CSS Replacement Project.  
2 On February 17, 2021, the Consumer Advocate filed a written submission on the Project (the  
3 "Consumer Advocate's Submission").

4

5 The Board is legally required to determine issues on the basis of the evidence before it. With  
6 respect to the CSS Replacement Project, the primary evidence on the record of this proceeding  
7 was filed by Newfoundland Power. The Company's evidence includes: (i) the *Customer Service*  
8 *Continuity Plan* provided with the Application; (ii) 2 reports prepared by EY, an expert in utility  
9 customer information systems; and (iii) responses to 125 RFIs in relation to the Project.

10

## 11 **4.0 NEWFOUNDLAND POWER'S APPLICATION**

### 12 **4.1 General**

13 Least-cost customer service delivery is a principal business function of Newfoundland Power.  
14 The Company's customer service costs were reduced by 13% over the period 1999 to 2019, or  
15 43% when adjusted for inflation. This cost reduction was achieved while serving 26% more  
16 customers, responding to triple the number of customer enquiries, and maintaining a consistent  
17 level of customer satisfaction.

18 Reference: Application, Volume 1, *Customer Service Continuity Plan*, pages 3-4.

19

20 Newfoundland Power could not provide least-cost, reliable service to its customers without its  
21 CSS or a replacement system. CSS supports all essential customer service functions. As  
22 examples, each year the system is used to store information for 270,000 active customer accounts  
23 and 1 million inactive accounts, issue over 3 million customer bills, manage over 70,000

1 customer payment arrangements, and respond to over 400,000 customer calls and 100,000  
2 customer emails.

3 Reference: Application, Volume 1, *Customer Service Continuity Plan*, pages 2-5; CSS  
4 Replacement Project Technical Conference Presentation, November 2020, slide 5.  
5

6 CSS was implemented in 1993 with an expected service life of 20 years. Newfoundland Power  
7 has monitored the risks facing CSS as part of its routine technology planning. Risk assessments  
8 of CSS were completed in 1996, 2003 and 2013. These assessments have supported extending  
9 the system's service life by 10 years, or 50%.

10 Reference: Application, Volume 1, *Customer Service Continuity Plan*, page 5, lines 10-16,  
11 and page 6, lines 14-16.  
12

13 Recent assessments have determined that the service life of CSS has been fully extended and  
14 system replacement is required to maintain continuity in customer service delivery.  
15

16 This section summarizes key considerations for the Board with respect to the Project. These  
17 considerations include: (i) how the CSS Replacement Project is consistent with sound utility  
18 practice and current industry experience; (ii) why the Project must commence in 2021 and cannot  
19 be deferred; and (iii) process- and accounting-related considerations for the Board.  
20

21 Other issues are addressed in Section 5.0 in response to the Consumer Advocate's Submission,  
22 including Project risks and benefits, and the assessment of alternatives.

1   **4.2     Project Scope and Cost**

2   Evidence

3   The CSS Replacement Project is guided by Newfoundland Power’s *Customer Service Continuity*  
4   *Plan* (the “Plan”). The Plan proposes to replace CSS with a modern customer information  
5   system over 3 years at a total cost of approximately \$31.6 million.

6   Reference:   Application, Volume 1, *Customer Service Continuity Plan*, page 1, lines 23-25.

7

8   Newfoundland Power’s Plan is the result of a comprehensive, multi-year assessment and  
9   research process. The assessment was led by EY. EY assessed available alternatives, current  
10   market trends, Newfoundland Power’s business processes, technologies and customer data  
11   quality. These assessments determined that replacement of CSS is the only viable alternative for  
12   Newfoundland Power and informed EY’s recommended scope and cost for system replacement.

13   Reference:   Application, Volume 1, *Customer Service Continuity Plan*, Attachment A.

14

15   Newfoundland Power’s Plan was validated through an assessment of current industry experience  
16   and industry best practices. The Company conducted: (i) site visits with 5 utilities who recently  
17   completed similar projects; (ii) product demonstrations with 6 vendors; (iii) consultations with  
18   Newfoundland Power’s customers; and (iv) a review of current industry guidance.

19   Reference:   Application, Volume 1, *Customer Service Continuity Plan*, page 9, lines 1-4.

20

21   With respect to current industry experience, Newfoundland Power’s CSS belongs to the family  
22   of Customer/1 billing systems. Customer/1 systems were implemented by Andersen Consulting  
23   in the late 1980s and 1990s. In 2018, EY documented 27 utilities other than Newfoundland  
24   Power with Customer/1 systems. At that time, 9 of those 27 utilities were expected to be

1 operating Customer/1 systems within 5 years. An update in 2021 showed that 6 of those 9  
2 utilities have already initiated evaluation or replacement projects. Updated information on the  
3 remaining 3 utilities was not available.

4 Reference: PUB-NP-018, page 1, lines 28-32; PUB-NP-022, page 1, lines 26-43.  
5

6 An analysis of 120 North American utilities in 2020 showed that 93% of utilities have  
7 implemented modern customer information systems from leading vendors, SAP and Oracle.  
8 These 2 vendors currently have over 1,000 installations of their systems in North America.

9 Reference: Application, *Customer Service Continuity Plan*, Attachment A, Appendix A,  
10 page 5; PUB-NP-018, page 2, footnote 9.

11  
12 With respect to industry best practices, Newfoundland Power assessed the scope, duration and  
13 cost of its Plan against current industry guidance.

14  
15 From a Project scope perspective, Newfoundland Power's Plan includes 3 stages to replace CSS  
16 with a modern customer information system: (i) Pre-Implementation; (ii) Implementation; and  
17 (iii) Post-Implementation. This multi-stage scope is consistent with standard industry practice,  
18 as documented by independent technology firms such as Cognizant and TMG Consulting.

19 Reference: Application, Volume 1, *Customer Service Continuity Plan*, page 14, footnote 41.

20  
21 From a Project duration perspective, Newfoundland Power's Plan includes a 21-month  
22 Implementation period. This is within the typical range of 18 to 24 months documented by  
23 Gartner Inc. The Company's Plan includes a 4-month Post-Implementation period. This is also  
24 within the typical range of 3 to 9 months documented by TMG Consulting.

25 Reference: NLH-NP-009, page 2, lines 15-18, and page 3, lines 25-26.

1 From a Project cost perspective, EY developed its cost estimate for the Project based on its  
2 extensive expertise implementing similar projects for other utilities and a comprehensive  
3 assessment of Newfoundland Power's operations. This assessment determined the level of  
4 internal and external labour required to execute the Project, as well as required  
5 facilities/hardware, software, and procurement costs, among other costs.

6 Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment A,  
7 page 23, Figure 6.3; CA-NP-154, page 1, lines 26-28.

8

9 The cost estimate provided by EY for the Project is consistent with current industry experience.  
10 Guidance from Gartner Inc. indicates costs of between \$65 and \$137 per customer, gaining  
11 economies of scale with larger utilities. Newfoundland Power's estimate of Project costs is  
12 within this range, at \$106 per customer.

13 Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment A, page 23.

14

15 Newfoundland Power's Submission

16 Newfoundland Power submits that its Plan to implement a modern customer information system  
17 is consistent with current industry experience and sound utility practice.

18

19 **4.3 Project Timing**

20 Evidence

21 Context

22 The timing for replacing CSS has been carefully considered through long-term risk management  
23 and diligent planning. The criticality of CSS in serving customers and the amount of time  
24 required to implement a new solution are important considerations in determining when to  
25 commence system replacement.

1 All essential customer service functions are delivered through CSS. CSS is critical to providing  
2 reliable service to customers at least cost. CSS is also the primary system used when  
3 establishing electrical service for new customers and is critical to meeting the Company's  
4 obligation to serve in an effective and efficient manner.

5 Reference: PUB-NP-020, page 1, lines 9-13.

6

7 In Newfoundland Power's view, the criticality of CSS requires that the system be replaced  
8 before obsolescence exposes it to a high degree of operational risk. Exposing CSS to a high  
9 degree of risk would pose a significant risk to the provision of service to customers. As  
10 examples, a prolonged system failure would result in: (i) an inability to resolve certain customer  
11 requests, including enrollment in programs and services; (ii) delayed and estimated customer  
12 bills; and (iii) substantially longer wait times and an inability to resolve certain customer  
13 enquiries. These outcomes would be unacceptable to Newfoundland Power's customers.

14 Reference: PUB-NP-014, page 1, lines 13-18; PUB-NP-020, page 1, lines 29-32.

15

16 Implementing a modern customer information system is a multi-year effort. These projects are  
17 not typically undertaken in response to system failure. Undertaking these projects in response to  
18 system failure increases costs and risks, and reduces customer service quality. Given several  
19 years are required to implement a modern system, determining an appropriate replacement  
20 timeframe requires a reasonable indication of future risks.

21 Reference: PUB-NP-020, page 2, lines 18-23; PUB-NP-023, page 3, lines 1-7.

1    *Assessment of Risks*

2    The most recent risk assessment of CSS was completed by EY in 2018. EY completed the  
3    assessment using a probability and impact matrix. This is a standard methodology that considers  
4    the likelihood of a risk occurring and the operational effect should that risk materialize.

5    Reference:    PUB-NP-021, page 1, lines 9-16.

6

7    EY determined that CSS was facing “moderate” to “moderate-high” risks across 3 categories in  
8    2018: (i) vendor risks, which consider vendors’ commitment to investing in and supporting their  
9    products; (ii) support capacity risks, which consider access to the skills and expertise necessary  
10   to maintain a system; and (iii) business-enabling risks, which consider whether a system can  
11   meet customer, business and regulatory requirements. EY observed that each of these risks  
12   would increase over time.

13   Reference:    EY, *CSS Technical Risk Assessment*, June 2018, pages 20-21.

14

15   Newfoundland Power has continued to monitor the risks facing CSS. The Company determined  
16   that the risks facing CSS have increased since 2018.

17

18   The vendor risks facing CSS have materialized quickly. This is not unexpected given the age of  
19   CSS and its underlying technologies.

20

21   At the time of the 2018 risk assessment, the Customer/1 base of CSS was obsolete and other  
22   components were on the verge of obsolescence. In 2020, the Hewlett Packard Enterprises  
23   (“HPE”) Integrity servers underpinning CSS became obsolete. At the time of delivering the  
24   technical conference on the Project in November 2020, the Oracle database was the only core

1 component of CSS that was not facing obsolescence. However, Newfoundland Power was  
2 notified in January 2021 that this database is being retired. All core hardware and software  
3 components of CSS are now obsolete.

4 Reference: PUB-NP-020, page 4, lines 1-12.

5

6 The risk of operating obsolete hardware and software is significant and increases in severity  
7 annually. Integrity servers are no longer being manufactured. A reliable supply of replacement  
8 servers is no longer available. Future vendor support will be contingent upon the availability of  
9 spare parts. For example, CSS experienced a failure of memory modules that were replaced in  
10 2020. Future replacement of components such as these will be contingent upon the vendor's  
11 supply, which will diminish annually. Similarly, the Oracle database will no longer receive  
12 cybersecurity or other patches to address potential vulnerabilities. The database will become  
13 more vulnerable to failure as cybersecurity threats and technologies evolve over time. Failure of  
14 these components would lead to overall system failure.

15 Reference: PUB-NP-014, page 7, footnote 24; PUB-NP-020, page 4, lines 14-21.

16

17 Support capacity risks are an increasing concern for CSS. CSS is supported by a small team with  
18 highly specialized skills. This team is responsible for troubleshooting system issues and  
19 overseeing all system upgrades and enhancements.

20 Reference: PUB-NP-020, page 4, lines 28-31.

21

22 In 2018, the support capacity for CSS was assessed as adequate, with a total of 12 employees.  
23 Support capacity has decreased since 2018 and is forecast to decrease annually commencing in  
24 2023 due to employee retirements. Annual reductions in capacity lead to annual increases in

1 support risks. In comparison to 2018 levels, the support capacity for CSS is forecast to decrease  
2 by 25% by 2024 and 50% by 2027, assuming employees retire as eligible. Additional reductions  
3 in capacity may also result from the unexpected loss of employees.

4 Reference: PUB-NP-020, page 4, line 33 to page 5, line 3; PUB-NP-014, page 5, lines 11-15.

5

6 Options to replace lost capacity are limited. The skills necessary to support CSS are no longer  
7 offered as part of post-secondary programs and are no longer commonplace in the labour market.

8 Training programs for core CSS software are no longer offered by the vendor. Additionally,  
9 recruiting and retaining employees to work on obsolete technologies is challenging, as future  
10 career prospects are severely limited in comparison to modern technologies.

11 Reference: PUB-NP-020, page 5, lines 5-9.

12

13 A decrease in support capacity is concerning from multiple perspectives. First, an inadequately  
14 supported system faces increased risk of prolonged failure. Second, the technology base of CSS  
15 is now obsolete and vendor support will terminate for these technologies, increasing internal  
16 support requirements at a time when capacity is diminishing. Third, according to EY and other  
17 industry-leading experts, reduced support capacity would increase the risks of successfully  
18 executing a replacement project.

19 Reference: PUB-NP-020, page 5, lines 11-16; PUB-NP-023, page 1, lines 33-39.

20

21 With respect to business-enabling risks, CSS can no longer be cost-effectively upgraded to  
22 provide new functionality. As examples, the billing of Net Metering and certain General Service  
23 customers is completed using manual processes outside of CSS. Manual processes were also  
24 required to deliver the One-Time Customer Bill Credit in 2020, confirming the limitations of

1 CSS. Each of these limitations affects the efficiency and responsiveness of Newfoundland  
2 Power's service delivery. These limitations are readily addressed through a modern customer  
3 information system.

4 Reference: PUB-NP-020, page 5, line 33 to page 6, line 3; PUB-NP-014, page 6, line 24 to  
5 page 7, line 3.

6

7 Changes in business-enabling risks are not always predictable. For example, the One-Time  
8 Customer Bill Credit was directed by the Provincial Government in response to the  
9 unprecedented COVID-19 pandemic. On average, Newfoundland Power has been required to  
10 enhance CSS to provide new functionality once every 2.5 years. It is reasonable to expect  
11 additional enhancements would be required to serve customers in the future. Due to the  
12 limitations of CSS, Newfoundland Power may not be in a position to respond to future  
13 requirements.

14 Reference: PUB-NP-020, page 5, line 33 to page 6, line 3.

15

16 Newfoundland Power's observed changes in vendor risks, support capacity risks and business-  
17 enabling risks are consistent with EY's 2018 assessment and its observations in 2021.

18 Reference: PUB-NP-022.

19

20 Newfoundland Power has implemented measures to manage increases in vendor and support  
21 risks over the short term. In response to vendor risks, the Company has moved an existing server  
22 to act as an emergency spare. In response to support risks, system changes are being minimized.  
23 Contingency plans are also being maintained to manage system failures. These measures are  
24 short-term solutions and will not extend the service life of CSS.

25 Reference: PUB-NP-019, page 2, lines 27-33.

1    *Assessment of Project Timing*

2    Replacing CSS commencing in 2021 would avoid exposing a critical business application to a  
3    high degree of operational risk. Vendor risks and support capacity risks were considered  
4    “moderate-high” and “moderate” in 2018. These risks have increased since 2018 and are  
5    forecast to continue increasing annually. Business-enabling risks also pose a significant threat to  
6    the Company’s ability to respond to changing customer service and regulatory requirements.

7    Reference:    PUB-NP-020, page 7, lines 8-12.

8

9    Replacing CSS commencing in 2021 would avoid additional investments in obsolete technology.  
10   Should replacement of CSS be delayed by a year or more, Newfoundland Power would be  
11   required to complete a complex upgrade in 2021 to maintain the performance of CSS server  
12   hardware. This upgrade would involve implementing the last line of obsolete Integrity servers.  
13   The cost of this upgrade is estimated at approximately \$1.6 million. This upgrade would  
14   mitigate short-term hardware reliability risks, but would not mitigate any of the vendor, support  
15   or business-enabling risks that indicate system replacement is required.

16   Reference:    PUB-NP-020, page 7, lines 14-17; PUB-NP-019.

17

18   Replacing CSS commencing in 2021 will help manage project execution risks. Implementing a  
19   modern customer information system is a complex project. Adequate resourcing is critical to  
20   Project success. If system replacement is delayed, Newfoundland Power would have diminished  
21   support capacity. This, in turn, would increase project execution risks. As support capacity is  
22   forecast to diminish annually, project execution risks would increase in severity the longer the  
23   project is delayed.

24   Reference:    PUB-NP-020, page 7, lines 19-24; PUB-NP-023.

1    Newfoundland Power's Submission

2    Newfoundland Power submits that replacing CSS commencing in 2021 is consistent with the

3    provision of least-cost, reliable service to customers. Delaying system replacement would

4    increase risks and costs to customers without a corresponding customer benefit.

5

6    **4.4    Other Regulatory Considerations**

7    **4.4.1    Approval Considerations**

8    Evidence

9    Generally, Newfoundland Power's practice is to propose the approval of multi-year capital

10   expenditures when the required work cannot be completed in a single year and the approval of all

11   expenditures is necessary to bring an asset to the point where it is used and useful in providing

12   service to customers.

13   Reference:    PUB-NP-015, page 2, lines 32-35.

14

15   Parties to this proceeding have raised the option of an alternate, phased approval approach. The

16   Company has proposed phased approaches to approving capital expenditures when the approval

17   of total costs was *not* required to bring an asset to the point where it is used and useful for

18   customers. For example, capital expenditures under Newfoundland Power's multi-year *LED*

19   *Street Lighting Replacement Plan* will be proposed annually for Board approval.

20   Reference:    PUB-NP-015, page 2, line 37, to page 3, line 5.

21

22   The Application proposes the CSS Replacement Project be approved in full. Full approval of the

23   Project is necessary to bring the replacement system to the point where it is used and useful for

24   customers.

1 A phased approach to Project approval would provide no benefits to Newfoundland Power's  
2 customers. Practically, a phased approval approach would extend the Project schedule. An  
3 extended Project schedule would increase Project costs and pose challenges with maintaining  
4 continuity in resourcing over the duration of the Project. A phased approval approach would  
5 also create uncertainty for potential vendors. This uncertainty would likely impact the level of  
6 contingency included in vendors' cost estimates, thus increasing costs to customers.

7 Reference: PUB-NP-015, page 3, line 13 to page 5, line 23.

8

9 If approved, the CSS Replacement Project would be subject to reporting requirements. The  
10 Capital Budget Application Guidelines establish that:

11 *Where a utility shows in each subsequent year of a multi-year expenditure that the  
12 scope, nature and amount of the capital expenditures are consistent with the  
13 original approval, further approval is not required.*

14  
15 *Expenditures in subsequent years will be subject to further review if there is a  
16 material change in the scope, nature or forecast cost of the expenditure. A change  
17 will be considered material if the nature or scope of the expenditure changes such  
18 that that original rationale provided is no longer applicable or where the revised  
19 forecast expenditure exceeds the approved amount by 10% or more.*

20 Reference: Capital Budget Application Guidelines, page 8 of 11.

21

22 Consistent with these guidelines, material changes in the scope, nature or cost of the Project  
23 would be reported to the Board for review. Actual capital expenditures would also be reported to  
24 the Board through annual capital expenditure reports and quarterly regulatory reports.

25

26 In the past, the Board has imposed additional reporting requirements on significant, multi-year  
27 capital projects. For example, in approving the construction of transmission line TL267, the  
28 Board directed Hydro to provide reports on project execution as part of its annual capital budget

1 applications. In Newfoundland Power's view, reporting requirements are a reasonable means  
2 through which to ensure capital projects are executed according to proposed plans.

3 Reference: Newfoundland Power's correspondence to the Board regarding the Consumer  
4 Advocate's request for public hearing, dated December 18, 2020, page 12.

5

6 **Newfoundland Power's Submission**

7 Newfoundland Power submits that the CSS Replacement Project should be approved in full. An  
8 alternate, phased approval approach would increase costs and risks to customers without a  
9 corresponding customer benefit. Should the Board approve the CSS Replacement Project,  
10 reporting requirements are a reasonable means through which to ensure the Project is executed  
11 according to Plan.

12

13 **4.4.2 Accounting Considerations**

14 **Evidence**

15 Newfoundland Power's accounting practices follow generally accepted accounting principles in  
16 the United States ("U.S. GAAP"). U.S. GAAP is established by the Financial Accounting  
17 Standards Board ("FASB"). The FASB Accounting Standards Codification ("ASC") provides  
18 guidance on the recognition of software costs.

19 Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment C, page 1,  
20 lines 2-5.

21

22 Newfoundland Power assessed 2 relevant provisions of this guidance to determine the proper  
23 accounting treatment of CSS Replacement Project costs: ASC 350-40 and ASC 980.

1 According to ASC 350-40, approximately \$2.9 million of the total Project cost is more general in  
2 nature. This includes certain costs related to data conversion, employee training, and  
3 procurement (collectively, “general costs”).

4 Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment C, page 2,  
5 lines 11-19.

6

7 ASC 980 provides guidance for entities with regulated operations. Regulators may approve  
8 allowable costs for rate-making purposes in a different period than the costs would be charged to  
9 expense by an unregulated entity. ASC 980 permits the creation of assets and liabilities to reflect  
10 the economic impact of these rate-regulated activities.

11 Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment C, page 2,  
12 lines 1-5.

13

14 Newfoundland Power’s Application proposes to have ASC 980 apply to the general costs of  
15 \$2.9 million. This would result in the total \$31.6 million Project cost being capitalized and  
16 recovered from customers over the life of the system.

17

18 Recovering all costs over the life of the system is consistent with the regulatory principle of  
19 intergenerational equity. The principle of intergenerational equity establishes that customers in a  
20 given period should pay only the costs necessary to provide them with service in that period. All  
21 costs related to the CSS Replacement Project, including general costs, are necessary to bring a  
22 system to the point where it is used and useful in serving customers. These costs therefore  
23 provide an enduring value to customers. Recovering all costs over the life of the system is  
24 reasonable on this basis.

25 Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment C, page 3,  
26 lines 15-19, and page 4, lines 5-9.

1      Recovering all costs over the life of the system would avoid a temporary fluctuation in customer  
2      rates that would occur if general costs were to be expensed as incurred. Avoiding a temporary  
3      fluctuation in rates is consistent with the regulatory principle of customer rate stability.

4      Reference:     Application, Volume 1, *Customer Service Continuity Plan*, Attachment C, page 3,  
5      lines 8-13, and page 4, lines 1-3.

6

7      The capitalization of general costs is consistent with the Board’s treatment of the Company’s  
8      General Expenses Capitalized (“GEC”). Costs included in the Company’s GEC are amortized  
9      over the life of the related asset. The capitalization of general expenses is an accepted  
10     accounting practice in the electric utility industry.

11     Reference:    PUB-NP-008, page 2, footnote 10.

12

13     Newfoundland Power’s Submission

14     Newfoundland Power submits that the total cost of the CSS Replacement Project should be  
15     capitalized and recovered over the life of the system. Recovering all Project costs over the life of  
16     the system is permissible under U.S. GAAP and is consistent with the regulatory principles of  
17     intergenerational equity and customer rate stability, current practice of the Board and sound  
18     utility practice.

19

20     **5.0     RESPONSE TO CONSUMER ADVOCATE’S SUBMISSION**

21     **5.1     General**

22     The Consumer Advocate’s Submission takes the position that the Application falls “woefully  
23     short” of meeting the burden of proof that the CSS Replacement Project is justified.

24     Reference:    Consumer Advocate’s Submission, page 1.

1      The Consumer Advocate's position is based, in part, on erroneous claims that are not reflective  
2      of the information on the record of this proceeding.

3

4      One such error is observed in the Consumer Advocate's claims regarding Newfoundland  
5      Power's approach to metering. The Customer Advocate's Submission alleges that customers  
6      "*have recently had to shoulder increased metering costs with the introduction of meters with*  
7      *remote meter-reading capability.*"

8      Reference:    Consumer Advocate's Submission, page 5, clause 7.

9

10     The Consumer Advocate's claim is incorrect. Newfoundland Power's customers have not  
11    incurred increased metering costs. In fact, an assessment in 2018 showed that metering costs  
12    were *reduced* by approximately \$1.8 million, or 65%, between 2012 and 2017. Customers  
13    continue to benefit from reduced metering costs today.

14     Reference:   NLH-NP-002, page 1, footnote 2.

15

16     The Consumer Advocate's Submission further alleges that "*this may only be the beginning of a*  
17    *series of capital projects for smart metering and billing systems.*"

18     Reference:   Consumer Advocate's Submission, page 6, clause 8.

19

20     There is no basis upon which to assert that Newfoundland Power is considering the installation  
21    of smart metering or related billing systems. Planned capital expenditures are outlined in the  
22    Company's *2021 Capital Plan* provided with the Application. Smart metering and related billing  
23    systems are not included in this plan.

24     Reference:   Application, Volume 1, *2021 Capital Plan*.

1      The Consumer Advocate's position is based, in part, on new information not previously  
2      considered as part of this proceeding.

3

4      The accuracy of the new information introduced by the Consumer Advocate has not been  
5      validated by Newfoundland Power. However, the Company observes that the concepts raised by  
6      the Consumer Advocate are either not relevant to the circumstances of Newfoundland Power or  
7      have already been addressed on the record of this proceeding.

8

9      The Consumer Advocate's Submission alleges that it "*is fair to conclude that this application*  
10     *filed by Newfoundland Power in this jurisdiction would not get to first base before some*  
11     *other regulators.*"

12     Reference:    Consumer Advocate's Submission, page 7, clause 10.

13

14     This allegation is without merit. Newfoundland Power's Application provides: (i) detailed  
15     evidence on the risks facing the Company's customer service delivery; (ii) a Plan for mitigating  
16     those risks that is consistent with current industry experience and sound utility practice; and  
17     (iii) a description of the customer benefits of executing this Plan. Newfoundland Power's Plan  
18     has been thoroughly interrogated by the Board and intervenors as part of this proceeding. No  
19     evidence has been filed with the Board indicating the Company's Plan is inconsistent with  
20     current industry experience or sound utility practice.

1   **5.2    Specific Comments**

2   **5.2.1    Project Risks**

3   Consumer Advocate's Submission

4   The Consumer Advocate's Submission claims that Newfoundland Power has not quantified the  
5   risks of not proceeding with the Project.

6   Reference:    Consumer Advocate's Submission, page 2, clause 2.

7

8   The Consumer Advocate states that Newfoundland Power has filed no evidence indicating that  
9   failures or security violations of CSS are increasing, or that existing programs or regulations are  
10   expected to change dramatically.

11   Reference:    Consumer Advocate's Submission, page 8, clause 12, and page 5, clause 7.

12

13   The Consumer Advocate's Submission states that, "*The question is not 'are the risks increasing'*  
14   *but rather 'have the risks increased to the point where the existing system can no longer meet*  
15   *customer service requirements.'*"

16   Reference:    Consumer Advocate's Submission, page 3, clause 2.

17

18   Evidence

19   The Consumer Advocate's Submission is not reflective of the information on the record of this  
20   proceeding regarding the risks facing CSS.

21

22   As described in Section 4.1, Newfoundland Power has monitored the risks facing CSS as part of  
23   its routine technology planning. Periodic risk assessments have been completed since 1996. The  
24   risks facing CSS have varied throughout this period. The Company has mitigated these risks,

1 where possible. For example, a technical migration project was undertaken in 1998 to mitigate  
2 vendor risks and extend the system's service life.

3 Reference: PUB-NP-014, page 4, footnote 15.

4

5 The risks facing CSS have increased to the point where the system is at risk of no longer meeting  
6 Newfoundland Power's customer service requirements. As described in Section 4.3, CSS is  
7 operating on obsolete technology, is facing diminished support capacity, and can no longer be  
8 cost-effectively upgraded to deliver new requirements. Replacement with a modern customer  
9 information system is the only viable alternative to mitigate these risks.

10

11 Current system reliability and security performance, as referenced in the Consumer Advocate's  
12 Submission, are not currently drivers of system replacement. CSS currently operates reliably  
13 and securely. Failure to maintain a reliable and secure system would result in disruptions to the  
14 provision of service to customers or compromising customers' personal information. These  
15 outcomes would not be acceptable to customers and would be inconsistent with fulfilling  
16 Newfoundland Power's obligation to serve. The vendor and support risks currently facing CSS  
17 pose risks to the future reliability and security performance of the system.

18 Reference: CA-NP-147, page 2, lines 12-25.

19

20 Changes to existing programs and regulatory requirements, as referenced in the Consumer  
21 Advocate's Submission, occur regularly. Recent examples include the introduction of the Net  
22 Metering Service Option in 2017, the RSP Surplus Refund in 2017, and the One-Time Customer  
23 Bill Credit in 2020. As described in Section 4.3, Newfoundland Power has been required to

1 enhance CSS to provide new functionality once every 2.5 years. It is reasonable to expect  
2 additional enhancements would be required to serve customers in the future.

3

4 **Newfoundland Power's Submission**

5 Newfoundland Power submits that the CSS Replacement Project should be approved to  
6 commence in 2021 to ensure continuity in the service provided to customers.

7

8 ***5.2.2 Assessments of Alternatives***

9 **Consumer Advocate's Submission**

10 The Consumer Advocate's Submission claims that there are many alternatives to study that have  
11 not been given careful consideration by Newfoundland Power.

12 Reference: Consumer Advocate's Submission, page 8, clause 11.

13

14 The Consumer Advocate's Submission raises 4 alternatives for consideration: (i) life extension  
15 of the existing CSS; (ii) modular systems, such as a front-end Customer Relationship  
16 Management system; (iii) contracting out operation of Newfoundland Power's customer service  
17 technology; and (iv) joint use of Hydro's system.

18 Reference: Consumer Advocate's Submission, page 3, clause 3; pages 7-8, clause 11; and  
19 page 9, clause 14.

20

21 The Consumer Advocate's Submission questions how Newfoundland Power can conclude that  
22 the Project is necessary to provide least-cost, reliable service when there is no cost comparison of  
23 alternatives.

24 Reference: Consumer Advocate's Submission, page 3, clause 4.

1    Evidence

2    The Consumer Advocate's claim that Newfoundland Power has not studied available  
3    alternatives, including the life extension of CSS, is incorrect.

4

5    Newfoundland Power's CSS Replacement Project included an assessment of 4 alternatives:

6

7                 (i)    Maintain the status quo. Maintaining the status quo would involve continuing  
8                 with Newfoundland Power's practice of enhancing and upgrading CSS.

9                 Maintaining the status quo would not mitigate any vendor, support or business-  
10                 enabling risks facing the Company's customer service delivery.

11          Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment A,  
12                 pages 7-8.

13

14                 (ii)    Extend the life of CSS by implementing bolt-on applications. Bolt-on  
15                 applications provide specific customer service functions, such as complex rate  
16                 designs. Implementing bolt-on applications would address specific functional  
17                 limitations of CSS. However, bolt-on applications would not mitigate any of the  
18                 vendor or support risks driving the need for system replacement.

19          Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment A,  
20                 pages 8-9.

21

22                 (iii)   Extend the life of CSS by re-platforming it to a modern, supported architecture.  
23                 Information systems, such as CSS, have increased in functionality and complexity  
24                 over the last 20 years. Re-platforming these systems is no longer industry  
25                 practice. EY indicated this alternative would be high risk and that it is not aware

1                   of any North American utilities pursuing this option. This option would also not  
2                   address any functional limitations of CSS.

3     Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment A,  
4                   page 9.

5

6         (iv) Replace CSS with a modern customer information system. Implementing a  
7                   modern system would address the vendor, support and business-enabling risks  
8                   facing Newfoundland Power's customer service delivery. As outlined in Section  
9                   4.2, implementing a modern system is consistent with current industry experience.

10    Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment A,  
11                   pages 9-10.

12

13    The assessment of alternatives demonstrated there are no viable alternatives to further extend the  
14                   life of CSS. Replacement of CSS with a modern system is the only viable option to ensure  
15                   continuity in the provision of service to customers. As the assessment identified only one viable  
16                   alternative, a cost comparison of alternatives was not required.

17    Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment A,  
18                   page 11.

19

20    All relevant alternatives raised in the Consumer Advocate's Submission have been considered by  
21                   Newfoundland Power. The alternatives raised by the Consumer Advocate are not viable options  
22                   to mitigate the risks facing the Company's service delivery.

23

24    The Consumer Advocate's submission describes modular systems, such as those provided by  
25                   VertexOne. Modular systems are, in effect, bolt-on solutions designed to extend the

1 functionality of an existing system. As described above, this is not a viable alternative to  
2 mitigate the risks facing Newfoundland Power’s customer service delivery.

3

4 A Customer Relationship Management system, as raised by the Consumer Advocate, is an  
5 example of a bolt-on application. Customer Relationship Management systems are, in many  
6 cases, the “front end” of a customer information system or other enterprise system. A Customer  
7 Relationship Management system is commonly implemented in competitive markets to support  
8 customer acquisition and retention. This alternative is not relevant for Newfoundland Power and  
9 would not mitigate any of the vendor, support or business-enabling risks facing the Company’s  
10 service delivery.

11

12 Contracting out operation of Newfoundland Power’s customer service technology, as raised  
13 by the Consumer Advocate, is not a viable alternative. The Consumer Advocate’s  
14 Submission references a publication from 2002 regarding Application Service Providers,  
15 which provide services for utilities without the expertise required to host, customize,  
16 support and maintain their applications. This information is outdated and not relevant to  
17 the circumstances of Newfoundland Power.

18 Reference: Consumer Advocate’s Submission, page 7, footnote 4.

19

20 Contracting out operation of Newfoundland Power’s customer service technology would, in  
21 effect, require contracting out the Company’s customer service delivery. This option has been  
22 pursued by utilities with capacity-related challenges. For example, in 2002 Terasen Gas Inc.  
23 (currently FortisBC (Gas)) contracted out operation of its customer service delivery function and  
24 related technology. This option was implemented while the company built internal capacity.

1      The function was subsequently insourced in 2012 following implementation of a modern system  
2      provided by SAP.

3      Reference:    CA-NP-078, page 1, lines 40-44; CA-NP-163, page 1, lines 17-22.

4

5      Newfoundland Power has no capacity challenges that would require contracting out operation of  
6      its customer service delivery function. As described in Section 4.1, the Company has reduced its  
7      cost of providing customer service over the last 2 decades, while maintaining a consistent level  
8      of customer satisfaction. This performance compares favourably to other utilities. While  
9      Newfoundland Power's customer service costs were reduced by 13% from 1999 to 2019,  
10     equivalent costs for the Company's U.S. Peer Group increased by 51% over the same period.  
11     Contracting out Newfoundland Power's customer service delivery would limit the Company's  
12     ability to provide efficient and responsive customer service.

13     Reference:    CA-NP-072, page 1, lines 4-8.

14

15     The use of a joint system with Hydro, as raised by the Consumer Advocate, is not a viable option  
16     for Newfoundland Power. As explained on the record of this proceeding, Hydro utilizes an  
17     Enterprise Resource Planning (“ERP”) system known as JD Edwards EnterpriseOne. Its  
18     customer service technology is a module of JD Edwards EnterpriseOne, known as Utiligy360.  
19     The functionality of Utiligy360 is dependent upon integration with other JD Edwards modules.

20     Reference:    PUB-NP-005, page 2, lines 17-28.

1 From a technical perspective, Newfoundland Power does not use JD Edwards EnterpriseOne.

2 Utiligy360 would not integrate with the applications currently used by Newfoundland Power.

3 Utiligy360 would therefore not provide the functionality necessary to serve Newfoundland

4 Power's customers.

5 Reference: PUB-NP-005, page 3, lines 33-38.

6

7 From a functional perspective, Newfoundland Power's customer service requirements are

8 greater than those of Hydro. Newfoundland Power: (i) serves approximately 7 times as

9 many customers as Hydro; (ii) responds to approximately 10 times as many customer calls

10 annually; (iii) responds to approximately 25 times as many customer emails annually; and

11 (iv) provides website self-service options to approximately 15 times as many customers

12 annually. These differences in work volumes logically result in different business

13 processes, different automation requirements, and different data storage and data transfer

14 requirements.

15 Reference: PUB-NP-005, page 3, line 40, to page 4, line 11.

16

17 Newfoundland Power's Submission

18 Newfoundland Power submits that the replacement of CSS with a modern customer information

19 system is the only viable alternative to ensure continuity in the provision of service to customers.

20 The Company's assessment of alternatives for the Project is fulsome. The alternatives raised in

21 the Consumer Advocate's Submission are not viable options for Newfoundland Power.

1    **5.2.3 Project Costs**2    Consumer Advocate's Submission

3    The Consumer Advocate's Submission asserts that information on the experience of replacement  
4    projects elsewhere is necessary for the Board to gauge the reasonableness of the cost estimate  
5    provided by EY.

6    Reference:    Consumer Advocate's Submission, page 6, clause 9.

7

8    The Consumer Advocate states that EY has not provided a confidence level for its recommended  
9    Project cost estimate. The Consumer Advocate questions the merits of allowing the Project to  
10   proceed based on a cost estimate and raises whether there could be a change in scope.

11   Reference:    Consumer Advocate's Submission, page 9, clause 13.

12

13   Evidence

14   The Consumer Advocate's Submission is not reflective of the information on the record of this  
15   proceeding regarding Project costs.

16

17   The cost of implementing modern customer information systems varies significantly by utility.  
18   This variability is observed in the Consumer Advocate's Submission, which references a  
19   \$500 million project by National Grid and a separate publication stating that the cost of these  
20   projects can range from US\$50 million to US\$100 million for large utilities.

21   Reference:    Consumer Advocate's Submission, page 7, clause 10, and page 8, clause 11.

1 As observed by EY, utilities generally build cost estimates that are suited to their needs,  
2 resources and constraints. Utilities then validate their results against average or aggregate  
3 industry data.

4 Reference: CA-NP-190, page 1, lines 25-28.

5

6 As described in Section 4.2, Newfoundland Power's Project cost estimate was developed based  
7 on a detailed assessment. The reasonableness of the cost estimate has been validated against  
8 aggregate industry data. Industry guidance indicates costs of between \$65 and \$137 per  
9 customer for projects of this nature. The Company's costs are within this range, estimated at  
10 approximately \$106 per customer.

11

12 With respect to the confidence level for the estimate provided, EY applied a 10% contingency to  
13 implementation costs. Applying contingency is standard in the preparation of cost estimates for  
14 capital projects. According to EY, the size of the contingency applied for the CSS Replacement  
15 Project is common in the industry. EY has also indicated a reasonable level of accuracy for its  
16 cost estimates, with an average variance of 4.8% for projects during which it performed system  
17 integration work.

18 Reference: CA-NP-185, page 1, lines 12-15; CA-NP-187, page 1, lines 5-10.

19

20 Newfoundland Power observes that it is standard practice for the Board to approve capital  
21 projects based on cost estimates. All capital projects approved by the Board for 2021 were  
22 approved on the basis of cost estimates.

23 Reference: Order No. P.U. 37 (2020).

1 As described in Section 4.4, if approved, reporting requirements would provide the Board with  
2 oversight to ensure the Project is executed according the proposed scope and cost.

3

4 **Newfoundland Power's Submission**

5 Newfoundland Power submits that its cost estimate for the CSS Replacement Project is  
6 reasonable and comparable to the experience of other utilities.

7

8 ***5.2.4 Customer Benefits***

9 **Consumer Advocate's Submission**

10 The Consumer Advocate's Submission claims that Newfoundland Power has not attempted to  
11 quantify the benefits of a new CSS. The Consumer Advocate alleges that no evidence has been  
12 filed that identifies cost savings.

13 Reference: Consumer Advocate's Submission, pages 4-5, clause 6.

14

15 The Consumer Advocate's Submission alleges that the focus groups were a "shoddy practice"  
16 because participating customers were not informed of Project costs.

17 Reference: Consumer Advocate's Submission, page 2, clause 1.

18

19 **Evidence**

20 The Consumer Advocate's Submission is not reflective of the information on the record of this  
21 proceeding regarding the customer benefits of the Project.

1 Newfoundland Power's Plan provides fulsome evidence on the customer benefits of the CSS  
2 Replacement Project. The benefits of the Project are threefold:

3

4 (i) Provide service continuity. The CSS Replacement Project will mitigate current  
5 risks facing the provision of service to customers and provide continuity in  
6 customer service delivery over the longer term. A modern system will support the  
7 Company's existing business processes either through the base product or  
8 standard configuration. Upgrade strategies will ensure the solution can adapt to  
9 meet changing customer expectations, industry trends and regulatory  
10 requirements.

11 Reference: Application, Volume 1, *Customer Service Continuity Plan*, page 16, lines 2-17.

12

13 (ii) Maintain service efficiency. Newfoundland Power has improved the efficiency of  
14 its customer service delivery over the last 2 decades. CSS was essential to  
15 achieving existing levels of service efficiency, but can no longer deliver all  
16 requirements. This has resulted in manual processes that create inefficiencies in  
17 serving customers. A modern system would allow Newfoundland Power to  
18 maintain its overall efficiency. For example, over the short-term the Company is  
19 forecasting a reduction of 2 FTEs due to the elimination of manual billing  
20 processes and reduced customer call times. These efficiencies will offset an  
21 increase of 2 FTEs associated with system support.

22 Reference: Application, Volume 1, *Customer Service Continuity Plan*, page 16, line 19, to  
23 page 17, line 24; CA-NP-075, page 4.

(iii) Enhance the customer experience. Customers' service expectations change over time. Since the implementation of CSS in 1993, Newfoundland Power has implemented various service enhancements such as the Equal Payment Plan, Automated Payment Plan and website self-service options. These enhancements have supported the Company in maintaining a consistent level of customer satisfaction. The CSS Replacement Project will provide a platform to improve the customer experience over time, which will allow Newfoundland Power to remain responsive to customers' expectations.

11  
12 The customer benefits of Newfoundland Power’s Project are consistent with typical industry  
13 experience. For example, the customer benefits of the Project are comparable to the benefits  
14 described in the Consumer Advocate’s Submission for an application filed by Boston Gas  
15 Company (National Grid), which references both cost benefits and service quality benefits.

<sup>16</sup> Reference: Consumer Advocate's Submission, pages 4-5, clause 6.

17  
18 The Consumer Advocate's allegation that Newfoundland Power's focus groups were a "shoddy  
19 practice" is without merit.

20  
21 The focus groups referenced in the Consumer Advocate's Submission were conducted as part of  
22 assessing the strengths and weaknesses of Newfoundland Power's customer service delivery.

1 Completion of these focus groups is consistent with the Company's assessment and planning  
2 framework for replacing CSS, as filed with the Board in 2018.

3 Reference: Application, Volume 1, *Customer Service Continuity Plan*, Attachment B;  
4 PUB-NP-008 filed as part of Newfoundland Power's *2019/2020 General Rate*  
5 *Application*.

6

7 A modern system has an expected service life of 15 to 20 years. It is necessary to ensure the  
8 system selected by Newfoundland Power can meet customers' service expectations both now and  
9 in the future. The results of the focus groups assisted Newfoundland Power in prioritizing  
10 potential future enhancements to its service delivery for further assessment over the short,  
11 medium and longer term.

12 Reference: PUB-NP-016, page 1, lines 15-16; NLH-NP-005, page 1, line 27 to page 2, line 24.

13

14 In Newfoundland Power's view, the justification and costs associated with capital projects are  
15 most appropriately considered as part of public proceedings before the Board. The justification  
16 and cost of the CSS Replacement Project has been thoroughly interrogated by the Board and  
17 intervenors as part of this proceeding.

18

19 Newfoundland Power's Submission

20 Newfoundland Power submits that the benefits of the CSS Replacement Project are consistent  
21 with customers' expectations for responsive and efficient service.

1    **6.0 CONCLUSION**

2    Newfoundland Power submits there is no evidence before the Board in this proceeding that:

3

- 4                 (i)      Contradicts the expertise applied in preparing the CSS Replacement Project;
- 5                 (ii)     Demonstrates reasonable alternatives that were not considered; or
- 6                 (iii)    Demonstrates deferral of the Project is appropriate or beneficial for customers.

7

8    The CSS Replacement Project is necessary to continue meeting Newfoundland Power's statutory  
9    obligations under the *Public Utilities Act* and *Electrical Power Control Act, 1994* and should be  
10   approved by the Board.

11

12   CSS is essential to the provision of service to customers. Newfoundland Power could not  
13   manage its operations in a manner consistent with the provision of least-cost, reliable service  
14   without CSS or a replacement system.

15

16   Proceeding with the CSS Replacement Project in 2021 is consistent with the delivery of reliable  
17   service to customers at least-cost. Delaying system replacement beyond the proposed timeframe  
18   would increase risks and costs to customers, without a corresponding customer benefit.

19

20   Newfoundland Power's CSS Replacement Project is consistent with sound utility practice and  
21   current industry experience. Nearly all utilities with a system similar to that of the Company  
22   have already replaced their systems or are evaluating replacement. The scope, duration and cost  
23   of Newfoundland Power's Plan is consistent with what is typically seen in the industry.

1 Newfoundland Power's proposal to recover all Project costs over the life of the replacement  
2 system is reasonable. The recovery of all Project costs over the life of the replacement system is  
3 permissible under U.S. GAAP and consistent with the principles of intergenerational equity and  
4 customer rate stability, as well as current practice of the Board and sound utility practice.

5

6 If approved, the CSS Replacement Project would be subject to reporting requirements.  
7 Reporting requirements are a reasonable means through which to ensure the Project is executed  
8 according to Plan.

9

10 **RESPECTFULLY SUBMITTED** at St. John's, Newfoundland and Labrador, this 24<sup>th</sup> day of  
11 February, 2021.



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