

1 **Q. Reference: “2021 Capital Budget Application,” Newfoundland Power, July 9, 2020**
 2 **Volume 1, Customer Service Continuity Plan at p. 1**
 3

4 **Newfoundland Power has noted that their costs for providing customer service have**
 5 **decreased over time after adjusting for inflation. Is this because depreciation on the**
 6 **old system has ceased after its 20-year life and that is driving the cost decrease? If**
 7 **there are other reasons for this decrease, please provide details.**
 8

9 A. No, the decrease in Newfoundland Power’s customer service costs is not the result of
 10 depreciation on the old system.
 11

12 Newfoundland Power’s cost of providing customer service was approximately 13% lower
 13 in 2019 than in 1999 on an actual basis. This equates to a reduction of 43% when
 14 adjusted for inflation. These costs, as shown in Figure 2 of the Company’s *Customer*
 15 *Service Continuity Plan*, are operating costs.¹ Depreciation is therefore not included in
 16 these costs.
 17

18 The observed decrease in Newfoundland Power’s customer service costs is attributable to
 19 the efficiency initiatives the Company has implemented over the last 2 decades. These
 20 initiatives have been described in previous general rate applications. Examples include:
 21

- 22 (i) The deployment of Automated Meter Reading (“AMR”) technology, which has
 23 reduced the cost of reading customers’ meters;²
 24
- 25 (ii) The implementation of a customer website, including self-service options for
 26 customers to view their balance, check the status of outages, and obtain other
 27 information online without having to call the Company;³
 28
- 29 (iii) The implementation of an Interactive Voice Response (“IVR”) system, which
 30 provides efficiencies in responding to customers’ enquiries;⁴ and

¹ See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan*, page 4, Figure 2.

² An assessment in 2018 showed that, as a result of the deployment of AMR technology, meter reading operating costs were reduced by approximately \$1.8 million, or 65%, between 2012 and 2017. See Newfoundland Power’s *2019/2020 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.2.2 Balancing Costs and Service, page 2-6 to 2-7*.

³ The customer website is the currently most frequently used communication channel among Newfoundland Power’s customers. An assessment in 2018 showed that the cost of a call handled by a Customer Service Representative is over \$8 per call, while the cost of a contact via the website is less than 10¢ per contact. See Newfoundland Power’s *2019/2020 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.2.2 Balancing Costs and Service, pages 2-8 to 2-9*.

⁴ An assessment in 2015 showed the average cost of a customer enquiry handled by a Customer Service Representative is over \$8. By contrast, the cost of an IVR response to a customer enquiry is less than 20¢. See Newfoundland Power’s *2016/2017 General Rate Application, Volume I, Application and Company Evidence, Section 2: Customers, page 2-7*.

- 1 (iv) The implementation of paperless billing for customers (“ebills”).⁵
2
3 These initiatives have improved Newfoundland Power’s ability to provide responsive
4 service to customers at least cost. Newfoundland Power’s Customer Service System was
5 an essential technology for each of these initiatives.

⁵ A Canadian Electricity Association survey in 2017 showed Newfoundland Power had the second highest percentage of electronically billed customers in the Canadian electric utility sector. An assessment completed by Newfoundland Power in 2018 showed that the annual cost of issuing ebills is approximately \$10.18/customer less than the cost of issuing paper bills. This reflects avoided printing, paper, envelope and postage charges. For example, the Company’s postage costs were forecast to decrease by approximately 15%, or \$230,000, between 2015 and 2020. See Newfoundland Power’s *2019/2020 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.2.2 Balancing Costs and Service, pages 2-7 to 2-9.*