

1 Q. Re: Page 29, lines 1 - 2

2 “CEA believes it has a responsibility to develop the appropriate cautions concerning
3 the use of non-verified benchmarking data in regulatory settings, and provide these
4 cautions to members for their use in interfacing with regulatory bodies”. Does Mr.
5 Bowman agree that the CEA’s position is a legitimate and justifiable concern? Why
6 or why not? (CA 4 NLH Attachment 2, page 2 of 6)

7 A. Mr. Bowman *does not agree* that the CEA position is a legitimate and justifiable
8 concern in the context of Hydro’s commitment in the Mediator’s Report (Appendix
9 H of the Decision and Order of the Board – Order No. P.U. 14 2004, point “aa”) for
10 the following reasons:

- 11 • In the Mediator’s Report, Hydro agreed to “propose a peer group of utilities and
12 measures upon which to compare its performance not later than six months
13 following the date of the Board Order in this proceeding. Upon approval thereof,
14 Hydro will collect and report such measures for itself and the peer group annually
15 beginning in 2005”. Further, Hydro states on page 3 of its report entitled *Defining
16 a Utility Peer Group for Newfoundland and Labrador Hydro* “In recognition of the
17 additional value of external benchmarking, Hydro agreed, during the mediation
18 stage of the 2003 GRA, to establish and report on performance measures based on
19 a peer group of utilities”. In summary, Hydro agrees that external benchmarking
20 provides additional value, and made a commitment to report external
21 benchmarking data. There is no requirement that peer group data be based on CEA
22 data or that it is contingent on development of CEA cautions.

- 1 • Policy 7 in the CEA policy document attached to CA 4 NLH states “Only composite
2 benchmarks deemed appropriate for regulatory environments, will be produced.
3 Participants are cautioned that publication of metrics not identified as appropriate
4 for regulatory environments in composite or other form in a regulatory forum or
5 elsewhere may result in blocking further participation by that member or the
6 termination of further CEA benchmarking on that metric.” As Hydro is expected to
7 report only high-level composite benchmarks, there appears to be no violation of
8 this policy. If Hydro is concerned about violating CEA policy, then it needs to
9 reconsider its recommendation to use CEA data and turn to the other data sources
10 it refers to in section 3.1.1 where it states “there are a number of data sources that
11 Hydro can pursue to obtain external benchmarking KPIs on a comparative,
12 continual, and consistent basis”.
- 13 • Reporting non-verified benchmarking data is not an issue provided qualifiers on use
14 of the data are identified. Regulatory Boards take such data inconsistencies into
15 account on a regular basis. External benchmarking even with data inconsistencies
16 provides useful information to the decision making process. As the CEA says
17 “Regulators in Canada are increasingly requesting the data and results from these
18 benchmarking studies as a basis to assess electric utility company performance”
19 (page 1 of its policy paper attached to CA 4 NLH).

- 1 • Many other utilities report external benchmarking data. ENMAX in Calgary
2 compares its reliability performance to the performance of urban utilities that
3 report statistic to the CEA ([http://www.enmax.com/
4 AnnualReports05/highL/reliability.shtml](http://www.enmax.com/AnnualReports05/highL/reliability.shtml), page 6). In addition, nearly 100 electric
5 utilities across the United States participated in an Electric Distribution Reliability
6 Best Practices Survey that benchmarked reliability statistics. Edmond Electric
7 (http://www.edmondok.com/Electric/elec_reliability.html) and Georgetown Utility
8 Systems (<http://www.georgetown.org/departments/gus//electric/reliabilitystats.php>)
9 report their reliability performance relative to the benchmarking survey average.
10 Edmond and Georgetown indicate that the main use of this information is to
11 provide a benchmark to assist in determining if they are meeting industry standards
12 and providing quality electric service, and to identify areas that experience
13 multiple/frequent outages for preventive maintenance. Hydro itself reports external
14 benchmarking data in Charts 7 and 8 of the Corporate Overview Evidence where
15 it compares its rates to those of other Atlantic Canadian jurisdictions.