

1 **Q. Page 1-4, line 10: Please explain the basis for the statement that Newfoundland**
2 **Power demonstrates “sound cost management”.**

3
4 **A. A. General**
5 Section 3(b)(iii) of the *Electrical Power Control Act, 1994*, requires Newfoundland
6 Power to manage its operations in a manner that results in power being delivered to
7 customers at the lowest possible cost consistent with reliable service.

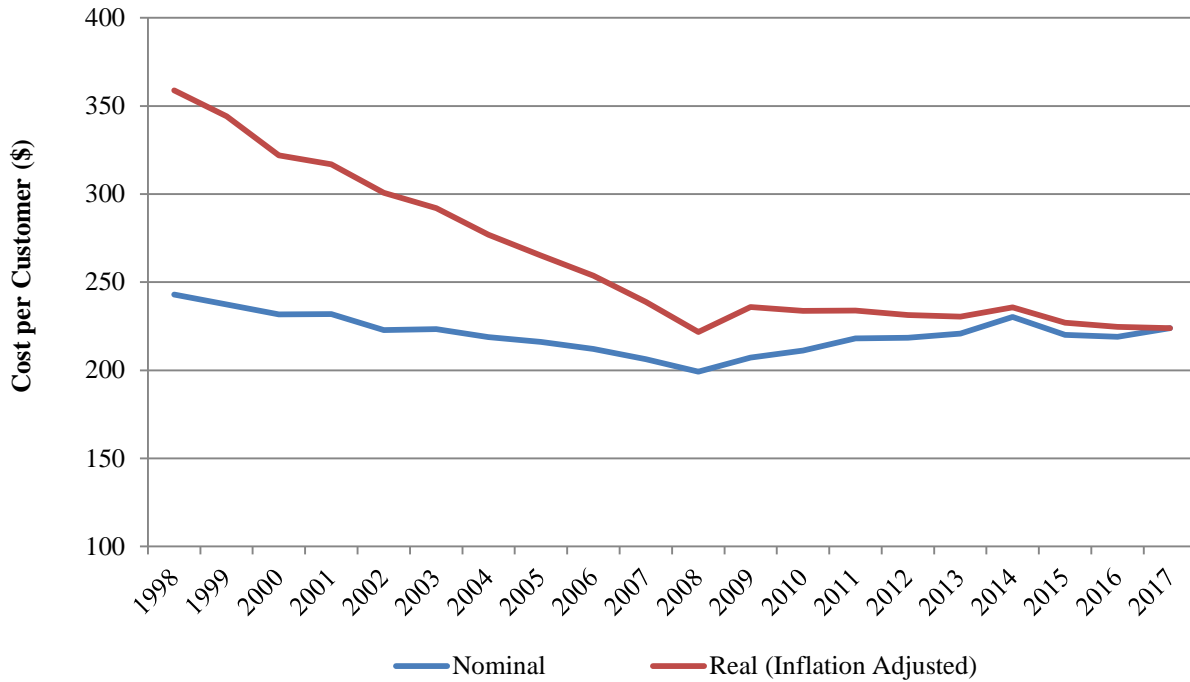
8
9 Demonstrating sound cost management requires the Company to control its costs without
10 compromising the level of service experienced by customers. To accomplish this,
11 Newfoundland Power has taken a long-term view to balancing sustainable cost
12 management, system reliability and service responsiveness.

13
14 **B. Operating Cost per Customer**
15 Newfoundland Power has achieved improvements in operating efficiency and has
16 sustained these improvements over the longer term. One measure of operating efficiency
17 is the Company’s operating cost per customer.

18
19 Figure 1 shows the Company’s gross operating cost per customer on a nominal and real
20 (i.e. inflation-adjusted) basis for the period 1998 to 2017.¹

¹ On a nominal basis, gross operating costs per customer were lower in 2008, primarily as a result of a one-time change in an accounting methodology. Further, inflation of approximately 4% in 2008 was above average for the period of approximately 2%.

**Figure 1:
Operating Cost per Customer
(1998 to 2017)**



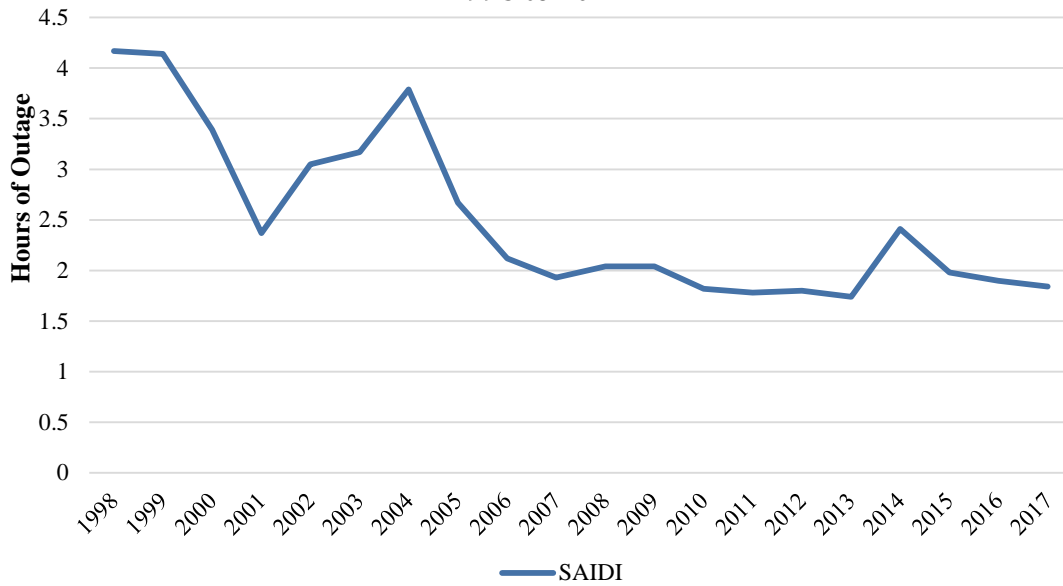
1 Over the 10-year period of 1998 to 2007, Newfoundland Power’s average gross operating
 2 cost was approximately \$297/customer. Over the most recent 10-year period, the
 3 Company’s average gross operating cost was approximately \$230/customer. This
 4 represents a 23% reduction in costs on a per-customer basis.
 5

6 **C. Electrical System Reliability**

7 Newfoundland Power has achieved operating efficiencies while improving the reliability
 8 experienced by customers.
 9

10 Figure 2 shows the average duration of customer outages experienced on Newfoundland
 11 Power’s electrical system for the period 1998 to 2017.
 12

**Figure 2:
Unplanned Outages Duration (SAIDI)
Normal Operating Conditions
1998 to 2017**

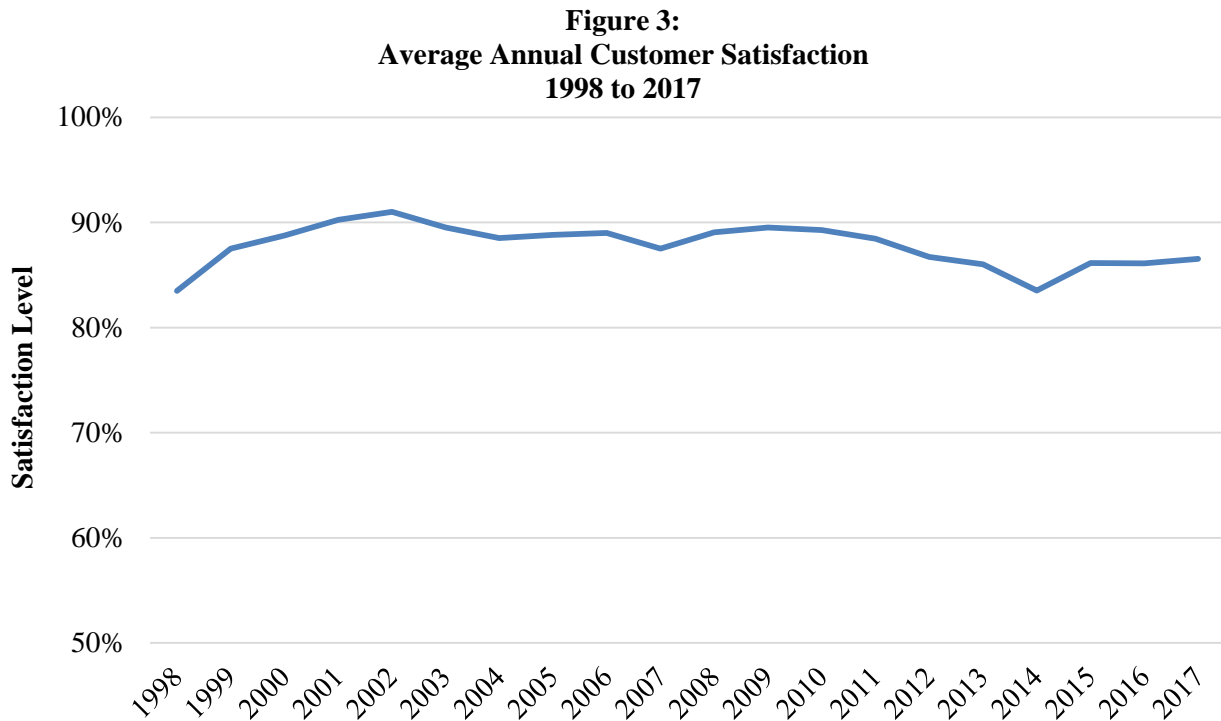


1 From 1998 to 2007, customers experienced an average outage duration of 3.1 hours.
2 Over the most recent 10-year period, customers experienced an average outage duration
3 of 1.9 hours. This represents a 39% improvement in the reliability experienced by
4 customers.

D. Customer Satisfaction

In addition to sustained improvements in operating efficiency and system reliability, customer satisfaction with Newfoundland Power’s service delivery has remained reasonably consistent.

Figure 3 shows customers’ annual average satisfaction with Newfoundland Power’s service delivery for the period 1998 to 2017.



Over the 10-year period from 1998 to 2007, customers were 88% satisfied with Newfoundland Power’s service delivery. Over the most recent 10-year period, customers have indicated an average satisfaction level of 87%. This indicates reasonable levels of customer satisfaction have been maintained over the long term.

E. Overall Performance

Overall, Newfoundland Power’s improvements in operating efficiency and system reliability, in addition to sustained customer satisfaction, indicate the Company has demonstrated sound cost management over the long term.

More details on the specific initiatives the Company has implemented to manage its costs are provided in response to Request for Information PUB-NP-002.