

Q. If Newfoundland and Labrador Hydro's application to refund a portion of the RSP surplus to Newfoundland Power Inc. customers and another portion to Newfoundland and Labrador Hydro's Rural customers is approved as applied for, provide a timeline that will show the steps necessary to provide rebates or refunds to the affected Newfoundland Power Inc. customers.

A. Introductory

The timeline, steps and cost necessary to provide rebates or refunds to Newfoundland Power customers are currently uncertain. This uncertainty arises from the limited information and resulting lack of clarity of refund requirements currently on the record in respect of this matter. The detail required to prepare for and process the proposed refund is therefore subject to change through the current process.

Newfoundland Power has assessed the refund requirements based on its current understanding of the Newfoundland and Labrador Hydro ("Hydro") proposal and developed a tentative timeline. This assessment follows.

Steps and Timeline

Attachment A shows a tentative timeline and steps to prepare and implement the proposed refund. Newfoundland Power estimates it will take approximately 14 weeks to complete preparations and apply the refund to customer accounts. Providing refund cheques to customers who choose this option will continue for a number of months. This tentative timeline is subject to change based on change or clarification of current assumptions.

The starting point of the tentative timeline is the receipt of a Board order clarifying detailed rebate requirements.¹

Refund Requirements

Newfoundland Power's tentative timeline is based upon assumptions in respect of key requirements outlined in Hydro's proposal. These include requirements regarding customer eligibility, refund calculation, and the form and process for refunds.

(i) Customer Eligibility:

Hydro's proposal indicates that the refund is to apply to current customers (customers on the system as of April 2014).² This includes Newfoundland Power customers with active electricity accounts as of April 2014. The refund would be

¹ The requirement for clarity is necessary in advance of the preparation shown in the time line in Attachment A. One practical example of this need is in the development and testing of the information technology necessary to provide the refund (see Description of Step 2, Attachment A, page 2 of 3.)

² See *September 2013 RSP Surplus Refund Evidence*, filed October 31, 2013, page 12, line 26 to page 13 line 1.

based only on energy use at the current address which was billed from January 2013 to December 2013.³

If customer eligibility were expanded to include all customers who were billed for electricity service during 2013, regardless of their status in April 2014, the time required to prepare for refunds would increase by 1 week.

(ii) Refund Calculation:

Hydro's proposal indicates the refund will be based on a cent per kilowatt hour ("kWh") amount applied to each customer's total energy use on bills issued for the period January 2013 to December 2013.⁴

The timeline in Attachment A assumes no Harmonized Sales Tax ("HST") will be included in the refund to customers.⁵

If the refund requirements are changed to include HST, an additional 2 weeks will be added to the preparation time. Newfoundland Power bills its customers for HST at a rate of 13%, and remits this amount to the federal government. Treatment of the Provincial Residential Energy Rebate (8%) would also need to be considered if HST were refunded.⁶

(iii) Form of Refund:

Hydro's proposal indicates the refund will be initially credited against each customer's outstanding balance.⁷ Once credited, the net balance, based on the customer's choice, will then either be left on the account to apply to future billings or given to the customer by cheque.⁸

³ Hydro's proposed eligibility requirements would exclude a substantial number of customer accounts that were billed for electricity service during 2013. Approximately 40,000 Newfoundland Power customer accounts are closed each year. This includes customers who move, landlords who are billed for unoccupied rental units, and changes of billing responsibility between co-occupants.

⁴ See the Application filed on October 31, 2013 page 2, paragraph 4b; and see *September 2013 RSP Surplus Refund Evidence*, filed October 31, 2013, page 17, line 3 to page 17 line 5.

⁵ This is based upon discussions with Hydro in advance of preparing this response. In Order No. P.U. 37 (2000-2001), the Board ordered Newfoundland Power to include HST in a rebate to customers on April 2001 electric service bills. Given these contrary indications, Newfoundland Power is currently uncertain whether HST is appropriate to be included as part of the proposed Hydro rebate.

⁶ The Newfoundland and Labrador Residential Energy Rebate came into effect in October 2011.

⁷ See the Application filed on October 31, 2013, page 3, paragraph 4e; and *September 2013 RSP Surplus Refund Evidence*, filed October 31, 2013, page 18, line 13 to line 17.

⁸ The provision of customer choice of whether to receive a cheque for any net refund balance adds effort and cost to the processing of the refund. The cost of information technology to support customer choice is approximately \$15,000. Additional costs are anticipated related to responding to customer inquiries, and may be in the order of \$0.5 million. This effort is included in the tentative time line provided as Attachment A.

Estimated Newfoundland Power Costs

Newfoundland Power estimates that preparation time for the refund will range from 14 to 17 weeks. The Company estimates the cost to prepare and deliver the refund will range from approximately \$1.3 million to \$1.4 million.⁹

⁹ A preliminary estimate of Newfoundland Power's costs was provided to Hydro for its consideration in advance of its filing of its refund plan in this proceeding.

**Steps and Indicative Time Line for RSP Surplus Refund
Assuming Newfoundland and Labrador Hydro Proposal Approved
As Applied For**

**Steps and Indicative Time Line for RSP Surplus Refund
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		Week																
	Step	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	...
1	Assess Requirements & Establish Work Plan																	
2	Develop and Test Information Technology																	
3	Develop Customer Communication Plan & Materials																	
4	Develop Customer Service Procedures																	
5	Gather Customer Choice																	
6	Apply Credits to Customer Accounts																	
7	Produce and Mail Customer Cheques																	
8	Post-Refund Activities																	

Step	Description
1	<p>Assess Requirements & Establish Work Plan</p> <p>A preliminary assessment of requirements is on-going. Upon receipt of a Board order clarifying requirements, further assessment, design and planning would be undertaken. This will include impacts on the Company's Call Centre, Customer Communications, IT, Billing, Finance and Regulatory, as well as impacts on Newfoundland Power customers.</p>
2	<p>Develop and Test Information Technology</p> <p>Design and test procedures and computer programs necessary to provide the rebate including such activities as:</p> <ul style="list-style-type: none"> • Determining customers who are eligible for the refund and the total energy use (kWh) to which the refund applies. • Calculating the rebate and applying it to the appropriate account. • Providing informative bill presentation. • Producing cheques. • Providing appropriate security, audit trail and statistical reporting. • Collecting information regarding customer choice of refund cheque or credit on account (captured through the Company's web site, interactive voice response systems, and call centre agents)
3	<p>Develop Customer Communication Plan & Materials</p> <p>Requires the creation of customer communications media. The strategy will focus on educating customers on a number of issues such as who is eligible for a refund, how the rebate is determined, when and how the refund will be provided to the customer, and how they can choose between a cash refund or leaving credit on account.</p>
4	<p>Develop Customer Service Procedures</p> <p>This includes development of internal procedures (ex. processing returned cheques) and training employees to deal with customers inquiries. Staffing requirements will be determined for responding to customers, processing cheques and customer follow-up.</p>
5	<p>Gather Customer Choice</p> <p>Customers will be given the option to contact the Company to choose to receive a refund cheque rather than have the net credit remain on their electricity account. This will involve a large volume of customer interactions. Refund amount details should be made available in advance of the issue of refunds to enable customers to make an informed choice and to manage the anticipated high volume of customer interactions. Newfoundland Power has assumed for purposes of this response that gathering of customer choice cannot occur before the month of implementation, based on Hydro's proposal.</p>

Step	Description
6	<p>Apply Credits to Customer Accounts</p> <p>Processing of refunds and applying credits to customer accounts will occur on a weekend due to the expected duration of processing. This will likely be the first Saturday of the beginning of the month during which the refund is processed. This may affect processing of credits for customers who bill in the first days of the month, if prior to this Saturday.</p>
7	<p>Produce and Mail Customer Cheques</p> <p>For customers who choose to receive a refund cheque, a cheque will be produced and mailed. Hydro's proposal is unclear as to whether this may occur prior to each customer's billing for the month of implementation.</p>
8	<p>Post-Refund Activities</p> <p>Newfoundland Power anticipates activity related to the refund process, such as customer inquiries, returned mail, financial reporting and auditing will continue for at least several months. Depending on final refund requirements, the amount and type of follow-up activity will vary.</p>