

1 **Q. Pg. 1-2, lines 10-11 - Please detail the operational efficiencies implemented in 2010 to**  
2 **2012 that have reduced costs and improved productivity, indicating the cost savings**  
3 **and efficiencies with each initiative.**

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5 **A. A. Operational Efficiency at Newfoundland Power**

6  
7 Newfoundland Power identifies and pursues initiatives which permit the Company to  
8 achieve sustainable long-term operating efficiencies. This is consistent with stable  
9 customer rates.

10  
11 Newfoundland Power's approach to cost management is to employ prudent management  
12 and sound engineering judgment to ensure that long-term cost control is reasonably  
13 balanced with long-term quality of service. In the Company's annual capital budget  
14 applications, well established economic analysis are used to justify all expenditures  
15 aimed at improving operational efficiency.

16  
17 Newfoundland Power's cost management involves a large number of initiatives of  
18 varying size, which combine to reduce *overall* costs. Accordingly, the Company focuses  
19 on overall operating costs. The Company does not routinely do ex post facto assessments  
20 of every initiative it undertakes to measure success. Instead, the Company looks to its  
21 overall cost performance as a primary measure of operational efficiency.<sup>1</sup>

22  
23 This focus has achieved substantial improvements in operating efficiency over the past 2  
24 decades.<sup>2</sup>

25  
26 **B. 2010 to 2012**

27  
28 The following initiatives improved Newfoundland Power's operational efficiency during  
29 the 2010 through 2012 period:

- 30  
31 1. Newfoundland Power has continued to increase the use of Automated Meter  
32 Reading ("AMR") technology.<sup>3</sup> The number of serviced premises equipped with  
33 AMR capabilities increased by 50%, from approximately 30,000 in 2010 to  
34 approximately 45,000 by the end of 2011. From 2010 through 2011, the  
35 Company connected 10,209 new customers. The meter reading requirements of  
36 these additional customers would once have required the establishment of  
37 approximately 30 new meter reading routes. However, as a result of using route  
38 optimization measures and AMR technology for new customer connections, no  
39 additional meter reading routes were added due to customer growth in this period.

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<sup>1</sup> This focus on overall operating efficiency was, in part, a practical result of workforce reductions through the 12 years to 2005 which effectively reduced the workforce by over one third. The Company simply had fewer human resources and chose to devote those human resources primarily to engineered and customer operations.

<sup>2</sup> Please refer to the Response to Request for Information PUB-NP-028.

<sup>3</sup> Automated Meter Reading ("AMR") technology enables a meter to be read remotely via a handheld receiver, eliminating the need for a meter reader to approach the meter for a visual read.

1 Meanwhile, AMR technology also improves safety for the Company's meter  
2 readers.<sup>4</sup>

- 3  
4 2. Newfoundland Power continues to promote participation in electronic billing, or  
5 *eBills*. The number of customers participating in *eBills* increased by 62%, from  
6 28,056 at the beginning of 2010 to 45,389 at the end of 2011. Increasing  
7 customer participation in *eBills* reduces the cost of billing by approximately \$8  
8 per customer per year.<sup>5</sup>

- 9  
10 3. The Company has increased the electronic self-service options available to  
11 customers over this period by enhancing its website. In 2011, the number of  
12 website contacts exceeded customer service telephone contacts for the first time.<sup>6</sup>  
13 Website improvements during the period that reduce costs include inquiry  
14 features that eliminate simple telephone inquiries, including a feature that allows  
15 landlords to check whether or not there is an active electrical service to rental  
16 properties they own, as well as features that automate certain customer service  
17 functions, including a feature that enables customers to set up payment  
18 arrangements for account arrears within defined criteria and a feature that allows  
19 customers to set themselves up on the Optional Seasonal Rate.

- 20  
21 4. In 2011, the Company implemented work dispatch improvements. Scheduling  
22 software known as "Click" was deployed in the St. John's area to improve the  
23 way service crew work is organized and scheduled. This software assigns work  
24 based on location and skill set, optimizing field work and reducing the time  
25 associated with manual processes.

- 26  
27 5. The SCADA system provides two essential means which Newfoundland Power  
28 employs to improve operating efficiency. First, real time SCADA data on  
29 electricity system operations can be used to make better, faster and more cost-  
30 effective decisions. Second, the capability to remotely operate the electricity  
31 system can, in some instances, eliminate the need to incur certain costs.<sup>7</sup>

32  
33 Since 2001, the Company has used SCADA technology to automate remote  
34 monitoring and control of distribution feeders. Approximately 30 additional  
35 distribution feeders have been automated since 2010, a majority of which are in  
36 rural substations.

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<sup>4</sup> Details on the Company's AMR strategy can be found in response to Request for Information CA-NP-141.

<sup>5</sup> For further information on *eBills*, please refer to responses to Requests for Information CA-NP-462 and CA-NP-464.

<sup>6</sup> See *Volume 1, Application and Company Evidence, Section 2.2.1 Customer Operations*, page 2-6, Table 2-2.

<sup>7</sup> For example, when undertaking emergency repairs to a broken distribution pole after hours, the SCADA operator can control the feeder remotely to provide the necessary worker protection guarantees. This reduces the number of technical support personnel required to complete the work.

1 Newfoundland Power does not track the individual cost savings of each operating  
2 efficiency initiative it implements. Accordingly, the cost savings and efficiencies  
3 associated with *each* of these initiatives are not available.  
4

5 Cost savings and efficiencies achieved by the Company from 2010 through 2012 on an  
6 overall basis are available. At page 2-9 of the Company's evidence, it is indicated that  
7 Newfoundland Power's inflation adjusted operating cost per customer (excluding  
8 conservation) decreased by approximately 3.5% in the 2 years from 2010 to 2012.<sup>8</sup>  
9

10 The achievement of these cost efficiencies has not resulted in any reduction in service  
11 quality to customers. At page 2-5 of the Company's evidence it is indicated that  
12 electrical system reliability through the period 2007 to 2011 (excluding severe weather  
13 events) has marginally improved.<sup>9</sup>  
14

15 Newfoundland Power achieved reasonable and sustainable operating efficiencies on an  
16 overall basis over the period 2010 through 2012.  
17

### 18 **C. 2013 and 2014**

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20 The Company evidence filed in support of this Application indicates that Newfoundland  
21 Power intends to achieve further operating efficiencies in 2013 and 2014.  
22

23 By year end 2014, Newfoundland Power expects to serve a total of 257,267 customers,  
24 an increase of 2.6% over the number of customers served in 2012. The Company's  
25 labour costs for 2013 and 2014 are 1% less than labour inflation in each year. So, by  
26 2014, Newfoundland Power expects to serve 2.6% more customers with labour costs that  
27 are, in real terms, 2% less than 2012 costs.  
28

29 The Company's labour cost efficiency assumptions represent approximately \$330,000 in  
30 2013 and \$340,000 in 2014.<sup>10</sup> These reductions have been included in the revenue  
31 requirements proposed in this Application. This means that customers served under the  
32 rates approved by the Board in this Application will receive the benefit of the efficiency  
33 assumptions, whether the Company succeeds in achieving these efficiencies or not.

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<sup>8</sup> This is consistent with Newfoundland Power's inflation adjusted operating labour cost per customer (excluding conservation) from 2008 through 2012, which decreased by approximately 7.7%, or approximately 1.9% annually. (See response to Request for Information CA-NP-419.)

<sup>9</sup> Other measures broadly indicative of Company productivity including sales per FTE, customers per FTE, revenue per FTE, distribution kilometers per FTE, etc. can be found in response to Request for Information CA-NP-126.

<sup>10</sup> This 1% per year efficiency assumption is consistent with that forecast by the Company at its 2010 general rate application.