Volume 1, Section 1 - Introduction

Q. (page 2, lines 16-17) It is stated that improved service and cost control are the foundation of customer operations performance of Newfoundland Power. As improved service generally comes with a cost, how does NP balance improved service with cost control?

A. In the quarterly customer satisfaction surveys conducted by Newfoundland Power, customers' consistently rank reliability and price as the most important aspects of customer service. Newfoundland Power manages its business with due regard to this expectation.

Table 1 shows reliability, as measured by SAIDI[1] and SAIFI[2], for 1996 and 2006.

Table 1
SAIDI and SAIFI
1996 to 2006

	1996	**2006**
SAIDI	4.23	2.98
SAIFI	3.82	2.90

Table 1 indicates that Newfoundland Power's electrical system reliability has improved since 1996.

Cost management at Newfoundland Power involves many initiatives of varying degrees which combine to reduce overall costs to customers. Part of Newfoundland Power's ability to effectively manage operating cost is related to the condition of its electrical assets. Newfoundland Power's approach to capital investment balances the maximization of asset lives with the proactive replacement of deteriorated or inefficient plant. This, in turn, has delivered tangible benefits for customers through both lower cost and improved electrical system reliability.

[1] SAIDI, or the System Average Interruption Duration Index, is the average hours of interruption per customer. It is calculated by dividing the number of customer outage hours by the total number of customers in an area.

[2] SAIFI, or the System Average Interruption Frequency Index, is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

Table 2 shows Newfoundland Power's gross operating expenses[3] for 1996 and 2006.

Table 2
Gross Operating Expenses
($000s)

	1996	**2006**
Operating Expenses	59,927	56,034

Table 2 indicates that in 2006, gross operating expenses were $3.9 million less than in 1996.

If the impact of increases in supply costs is excluded, the net impact of Newfoundland Power's costs (both capital and operating) on the retail rates customers paid over the period 1996 to 2006, has been essentially flat.

During this same period, the Company has improved customer service. Initiatives such as offering customers multiple ways to contact us and improving the content of Newfoundland Power's website are the types of initiatives that help to improve customer service.

Table 3 shows the customer satisfaction rating for 1996 and 2006.

Table 3
Customer Satisfaction Rating
1996 to 2006

	1996	**2006**
Customer Satisfaction Rating	70%	89%

Table 3 indicates that Newfoundland Power's customer satisfaction rating has improved since 1996.

The *Electrical Power Control Act, 1994*, states, in effect, that customers should pay the lowest possible cost for electricity that is consistent with reliable service. Newfoundland Power's progress in delivering least cost reliable power to its customers is observable.

[3] Gross operating expenses is the total operating expense of the Company before transfers associated with capitalized general expenses (GEC).