

1 **Volume 1, Section 3 – Finance**  
2

3 **Q. (page 98, lines 5 to 11) Reference is made to an example whereby NP has been able**  
4 **to achieve savings through the use of volume discounts available form (sic) pooling**  
5 **the Fortis' utilities buying power. Please state whether NP has investigated**  
6 **comprehensively the full potential of volume discounts. Please also state how, if at**  
7 **all, savings from volume discounts have been reflected in the test year revenue**  
8 **requirement.**  
9

10 A. Decisions to participate in national tenders are largely influenced by standards  
11 specifications, potential for cost reductions in individual instances, timing of contract  
12 expiry and transportation issues related to the geographic location of Newfoundland  
13 Power's service territory.  
14

15 Newfoundland Power currently participates in the following national procurement  
16 arrangements within the Fortis group of companies:

- 17 • Insurance;
- 18 • Distribution transformers;
- 19 • Poles;
- 20 • Revenue meters;
- 21 • Licenses and IT equipment and services;
- 22 • Long distance telephone service; and
- 23 • Transportation.  
24

25 Savings from volume discounts, while not shown separately, are included in both the  
26 operating and capital forecasts and are therefore reflected in the 2008 test year revenue  
27 requirement. Where contracts are in place, for example, material costs have been forecast  
28 using negotiated contract prices when preparing the capital budget, thus reducing the  
29 forecast cost of individual capital projects. Negotiated pricing was also used in  
30 forecasting certain 2008 operating costs, such as long distance telephone charges.  
31

32 Newfoundland Power will continue to leverage its purchasing power and obtain discounts  
33 by participating in volume purchases as procurement opportunities arise within the Fortis  
34 group of companies.