Volume 1, Section 2 – Customer Operations

Q. (page 19) "ERPs have enabled Newfoundland Power to effectively keep its labour costs flat, while improving service to its customers." Please explain in detail how NP achieved this improved service to its growing base of customers with less employees.

A. Newfoundland Power does not maintain a catalogue of cost cutting measures.

Newfoundland Power employs sound management practices and engineering judgment to improve both its cost productivity and the quality of service to its customers. The *Customer Operations* section of the Company evidence details some of the means by which Newfoundland Power has been able to achieve improved service to its customers with fewer employees.

The Distribution Reliability Initiative (the "DRI") described at page 25, *et seq.* of the Company evidence is one example. The improved reliability on some of the Company's worst performing rural feeders that has resulted from the DRI has clearly improved the service to customer served by those feeders. By improving service reliability on these feeders, Newfoundland Power has been able to reduce the incidence of breakdown maintenance associated with the feeders. This has, over time, permitted the Company to streamline its operations and reduce costs.

The same essential logic which underscores the DRI applies to the Company's ongoing efforts to incrementally improve maintenance practices and broader operational deployment.

Technology also plays a part in enabling the improvement of service with fewer employees.

The Company's ability to respond to increasing levels of customer interaction are described at page 30, *et seq.* of the Company evidence. Use of established technologies such as telephony and internet technologies enables the Company to reasonably meet evolving customer expectations in an efficient manner.

Technology also plays a significant role in improving electrical system operation and maintenance planning efficiency by, among other things, enabling (i) a greater degree of remote control of the electric system; and (ii) more cost effective maintenance and capital planning. The potential cost savings inherent in the Company's ability to remotely control the electrical system as opposed to manually operate the system are plain. Similarly, the potential cost savings inherent in better co-ordination of maintenance and capital planning across a relatively large service territory with thousands of pieces of electrical equipment are plain.

Early retirement programs have provided Newfoundland Power with a practical means of crystallizing cost savings associated with productivity improvement for the long-term

benefit of customers. Insofar as they do so, they have helped enable Newfoundland Power to effectively keep its labour costs flat, while improving service to its customers.

Please refer to the responses to CA-NP-25, CA-NP-54 and CA-NP-81 for further information on how Newfoundland Power has been able to improve service to its growing base of customers with fewer employees.