

1 **Volume 1, Section 2 – Customer Operations**  
23 **Q. With reference to Exhibit 2 “Operating Costs by Breakdown 2002 - 2008” please:**  
4

- 5 **a. Provide the basis for the forecasted 2007 and 2008 Retirement Allowances of**  
6 **\$175,000 for each year. Please provide all assumptions used to calculate these**  
7 **forecasted retirement allowances for each of these years.**
- 8 **b. Provide evidence from 3rd party in support of NP’s 2007 and 2008 forecasted**  
9 **Insurances costs of \$1,728,000 and \$1,775,000 respectively.**
- 10 **c. Explain in detail why “Vegetation Management” costs have increased from**  
11 **\$1,070,000 in 2005 to \$1,400,000 in 2008 F.**
- 12 **d. Provide a breakdown as to the specific advertising initiatives, individually**  
13 **costed, in respect of NP’s 2008 (F) \$371,000.00 expenditure on Advertizing**  
14 **and explain how NP assesses customer benefits from such expenditures.**
- 15 **e. From 2005 to 2008 (F) please provide the amount NP expended on non-**  
16 **regulated Advertizing with a breakdown as to the specific Advertising**  
17 **initiatives, individually costed.**
- 18 **f. Explain why NP’s Trustee and Directors’ Fees are increasing from 2006’s**  
19 **\$373,000 to 2008 (F)’s \$395,000 and provide NP’s Trustee and Director Fees**  
20 **policy as regards Trustee and Director compensation and entitlements.**
- 21 **g. Explain why Uncollected Bills are forecasted to increase from \$961,000 in**  
22 **2006 (actual) to \$1,050,000 in 2008 (F) and describe NP’s collections policy**  
23 **and procedures.**
- 24 **h. Explain why NP’s stationary and copying costs have increased from \$274,000**  
25 **in 2004 to \$372,000 in 2008 (F), an increase of \$98,000.00.**
- 26 **i. Explain why NP’s Computing Equipment & Software costs are forecasted to**  
27 **increase from \$566,000 in 2004 to \$776,000 in 2008 (F).**

28  
29 **A. (a) Retirement Allowances (2007F – 2008F)**  
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31 The Retirement Allowances includes expenditures related to employee retirement  
32 allowances and severance pay for employees leaving the company prior to  
33 retirement. The 2007 and 2008 Retirement Allowances forecast is based on 7  
34 retirements in each of 2007 and 2008, amounting to \$155,000 each year, plus an  
35 estimate of \$20,000 per year for severance pay.

36  
37 **(b) Insurances (2007F – 2008F)**  
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39 The Insurances forecast is based on the actual quoted cost for the first six months  
40 of 2007 and estimated costs for the remainder of 2007 and for 2008.  
41 Newfoundland Power’s forecast for Insurances cost is based on consultations with  
42 the Company’s insurance broker and a review of recent costs and trends.

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1 (c) Vegetation Management (2005 – 2008F)

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3 The Company experienced increased Vegetation Management costs in 2006  
4 principally as a result of higher contractor prices. As well, in 2006 there were  
5 several public safety incidents involving trees coming into contact with  
6 Newfoundland Power’s overhead power lines. In response, the Company  
7 conducted a detailed survey of vegetation along its power line  
8 rights-of-way. Based on this detailed survey, the Company identified locations  
9 that needed attention immediately and in 2007 and 2008. The operating forecast  
10 was adjusted accordingly to include the necessary Vegetation Management work.

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12 (d) Advertising (2008F)

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14 Table 1 provides the details of the 2008 Advertising forecast.

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16  
**Table 1**  
**Total Advertising Expenses<sup>1</sup>**  
**(\$)**

<b>Description</b>	<b>2008F</b>
Safety Related	224,500
Energy Conservation	90,000
Community Advertising	36,000
Personnel Recruitment	10,000
Outages/Vegetation Management/Other	10,000
<b>Total</b>	<b>370,500</b>

17  
18  
19 Advertising is used to promote public awareness of electrical safety, programs and  
20 services available to customers, and to support the Company’s efforts in the areas of  
21 conservation and energy efficiency through television, radio and print advertising. The  
22 Company also advertises in support of community events.

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<sup>1</sup> Includes regulated and non-regulated advertising expenses.

1 (e) Non-regulated Advertising (2005 – 2008F)

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3 Table 2 provides details of non-regulated advertising expenditures for the period  
4 2005 – 2008F.  
5  
6

**Table 2**  
**Non – Regulated Advertising Expenses**  
**(\$)**

Item	2005	2006	2007F	2008F
Envirofest	10,390	12,921	13,000	13,000
Community Advertising	20,173	6,150	6,000	6,000
<b>Total</b>	<b>30,563</b>	<b>19,071</b>	<b>19,000</b>	<b>19,000</b>

7  
8  
9 (f) Trustee and Directors' Fees (2006 to 2008F)

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11 Trustee expenditure represents fees payable to trustees for registration and general  
12 administration of Company-issued securities, securities registration fees, SEDAR,  
13 and all filings with securities commissions. Trustee Fees have increased by  
14 \$10,800 from 2006 to 2008F.  
15

16 The Directors' Fees forecast for 2007 is based on no change in rates paid or in the  
17 number of directors in 2007. The 2008 estimate includes a 1.9 percent  
18 inflationary increase in Directors' Fees.<sup>2</sup>  
19

20 Attachment A provides details of Directors' compensation.  
21

22 (g) Uncollectible Bills (2006 to 2008F)

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24 Uncollectible Bills are forecast to increase by 9.3% from 2006 to 2008F. Over the  
25 same period electricity revenue from rates is forecast to grow by 17.4%.  
26

27 Uncollectible Bills as a percentage of electricity revenue has decreased since 2006  
28 indicating improved performance by the Company in reducing bad debt expense.  
29

30 Attachment B is a copy of Newfoundland Power's *Collection of General Service*  
31 *(Under 10 kW) and Domestic Accounts Policy*.

<sup>2</sup> The 1.9% increase is in accordance with the GDP Deflator for 2008.

1 (h) Stationery & Copying (2004 to 2008F)

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3 Expenditures for Stationery & Copying have been relatively stable over time.  
4 Costs vary from year to year due to the timing of purchases, particularly those  
5 related to the bulk purchase of bill forms and envelopes. In 2004 costs were lower  
6 than average due to timing of purchases. From 2002 to 2008F Stationery &  
7 Copying costs increased 5 percent.  
8

9 (i) Computing Equipment & Software (2004 to 2008F)

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11 Computing Equipment & Software costs increased from \$566,000 in 2004 to  
12 \$776,000 in 2008F due to the increased use of software to attain productivity  
13 gains and increased security and data management requirements.  
14

15 Table 3 provides a breakdown of cost changes between 2004 and 2008F for  
16 software utilized in Engineering and Operations (SCADA and Asset  
17 Management), Customer Relations (Call Centre technology) and for IT  
18 infrastructure management (Data Management, Security and Operating Systems).  
19  
20

**Table 3**  
**Computing Equipment & Software**

Item	2004	2008F
SCADA	0	78,000
Avantis Asset Management	22,000	65,000
Aspect Call Centre	75,000	95,000
Tivoli Data Backup and Recovery	0	25,000
VMS Operating System	52,000	63,000
Double Take Data Replication	0	8,500
Security Software	37,000	61,000
<b>Total</b>	<b>186,000</b>	<b>395,500</b>

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**Directors' Compensation**

## 2007 Directors' Compensation

Basic Retainer	\$13,500 <i>per annum</i>
Governance & HR Committee Chair Retainer	\$2,000 <i>per annum</i>
Audit & Risk Committee Chair Retainer	\$4,000 <i>per annum</i>
Board Chair Retainer	\$34,000 <i>per annum</i>
Meeting Fees	\$1,000 per meeting

**Newfoundland Power's  
*Collection of General Service (Under 10 kW)  
and Domestic Accounts Policy***

## **Newfoundland Power Inc.**

### **Policy: Collection of General Service (Under 10kw) and Domestic Accounts**

Collection of all General Service (Under 10KW) and Domestic Accounts shall be conducted in accordance with the following process.

#### **Step One:**

First Reminder: Approximately 30 days after initial billing.

If payment for the previous month's bill is not received by the issuance of the next bill, then a reminder notice will be automatically printed in the message area on the next bill.

#### **Step Two:**

Delinquent Account Letter: Approximately 60 days after initial billing.

If payment is not received for the initial billing in 60 days, then a letter offering payment arrangements or other assistance shall be forwarded to the customer with the third bill requesting action within 10 days.

#### **Step Three:**

First Attempted Personal Contact: Approximately 71 days after initial billing.

If the 10 day period mentioned in Step Two expires without payment, then the Company shall attempt telephone contact with the customer. If the customer is unable to pay the arrears in full, then payment options shall be offered with the objective of bringing the account up to date within a reasonable time.



**Step Four:**

Notice of Intent to Disconnect Service: Approximately 71-75 days after initial billing.

If payment is not received after Steps One through Three have been undertaken, then a letter will be sent to the customer advising that if payment is not made in 7 days service will be disconnected. The letter will refer the customer to credit personnel who can help in setting out the customer's options. This notice shall only be sent when disconnection is seriously intended. This notice will not be sent nor will a disconnection occur when the arrears are less than \$100 unless the premises appears to be unoccupied.

**Step Five:**

Second Attempted Personal Contact: Approximately 79 - 83 days after initial billing.

If the 7 day period mentioned in Step Four above expires, then the Company shall attempt to contact the customer by telephone. If contact with the customer is established, payment options shall be offered. If the customer cannot be contacted, collection staff shall visit the customer's premises. If the customer is not available at the premises at the time of the visit, a card shall be left requesting the customer contact Newfoundland Power the next day.

**Step Six:**

Disconnection: Approximately 84 days after initial billing.

Collection staff will visit the customer's premises. If payment is not received or satisfactory payment arrangements have not been established, the service will be disconnected.

In special circumstances disconnection will be delayed for an additional 7 days to enable the customer to make alternative arrangements. Such special circumstances include:

- (i) where the Company is made aware that undue hardship would result because of serious illness or where life-sustaining equipment is in operation;
- (ii) where the Company is made aware that the customer is mentally impaired;
- (iii) where the Company is made aware that an infant less than one year old resides in the premises; and
- (iv) where the Company is made aware that a senior citizen resides in the premises.

Customers who are social services recipients will be granted a one business day extension to consult with their social worker.

The following restrictions apply to all disconnections under this policy:

- (i) no disconnections will occur on Monday to Thursday after 3:00 p.m. and no disconnections will occur on a Friday;
- (ii) no disconnections will occur on the day previous to a Company holiday; and
- (iii) no disconnection will occur between December 18<sup>th</sup> and the first working day of the new year.

In addition, certain winter conditions and restrictions shall apply to any disconnections to take place between November 15 and April 15. These include:

- (i) all winter disconnections must be specifically approved by either the Supervisor, Credit and Collections, or an Area Coordinator;
- (ii) senior citizens' accounts will not be disconnected;
- (iii) senior citizens' nursing home accounts will not be disconnected; and
- (iv) homes in which a person with a major illness resides will not be disconnected.