

Page 1

1 (9:02 A.M.)
 2 CHAIRMAN:
 3 Q. Thank you. Good morning. Good morning, Ms.
 4 Newman. Anything before we start?
 5 MS. NEWMAN:
 6 Q. Good morning, Mr. Chairman, Vice-Chair. Yes,
 7 there have been some responses to undertakings
 8 filed. There's three of them. I believe
 9 counsel for Newfoundland Power was just going
 10 to introduce them, but I don't think there's
 11 much to be said, frankly.
 12 KELLY, Q.C.:
 13 Q. No, Mr. Chairman. We've responded to three
 14 undertakings: the one with respect to the Wrap
 15 Up for Savings, which is undertaking one; the
 16 one with respect to the 2007 SAIFI that Mr.
 17 Ludlow spoke to is undertaking two; and the
 18 99,400 labour charge which was undertaking
 19 three.
 20 CHAIRMAN:
 21 Q. Thank you, Mr. Kelly, and good morning to you.
 22 Would you care to introduce your witness,
 23 please?
 24 KELLY, Q.C.:
 25 Q. Thank you, Mr. Chairman, Vice-Chair. The next

Page 3

1 A. Yes, I am.
 2 Q. And I understand you supervised the
 3 preparation of the pre-filed Customer
 4 Operations evidence and the exhibits which
 5 were filed on May the 10th, and then the
 6 revised material on October 11?
 7 A. Yes, I did.
 8 Q. And do you adopt that evidence as your sworn
 9 testimony in this proceeding?
 10 A. Yes.
 11 Q. Are there any changes that you wish to make?
 12 A. No, there are not.
 13 Q. Before we go to the issues covered in your
 14 pre-filed testimony, Mr. Delaney, would you
 15 highlight for the Board the experience you
 16 bring to Newfoundland Power?
 17 A. Yes. I am a professional engineer. I
 18 received a Bachelor of Engineering from
 19 Memorial University in 1986 and I joined
 20 Newfoundland Power in 1987. Since 1987, I
 21 have worked in a variety of engineering and
 22 customer operations management capacities,
 23 throughout the Company. I've worked in
 24 Stephenville, in Corner Brook, in Clarenville,
 25 in Burin, in Carbonear and St. John's. In

Page 2

1 witness is Mr. Phonse Delaney, and he's the
 2 Vice-president of Engineering and Operations
 3 at Newfoundland Power.
 4 CHAIRMAN:
 5 Q. Thank you very much. Good morning, Mr.
 6 Delaney. How are you this morning?
 7 A. Good morning.
 8 Q. This is not your first time, I don't think,
 9 appearing before the Board, is it?
 10 A. No, this will be my third time
 11 Q. Third time, is it?
 12 A. Two capital budget proceedings and this one.
 13 Q. First time appearing before us, I guess. I
 14 guess if I were to describe you as a witness
 15 after the last couple of days, it would be
 16 with great expectations.
 17 MR. PHONSE DELANEY (SWORN)
 18 CHAIRMAN:
 19 Q. Welcome, sir, and you may begin when you're
 20 ready, Mr. Kelly, please.
 21 KELLY, Q.C.:
 22 Q. Thank you, Mr. Chairman. Mr. Delaney, as I
 23 mentioned a moment ago, you are the Vice-
 24 President of Engineering and Operations at
 25 Newfoundland Power?

Page 4

1 2004, I was appointed Vice-President
 2 Engineering and Operations for the Company,
 3 and in this capacity, I'm also responsible for
 4 operation and coordination with Newfoundland
 5 and Labrador Hydro.
 6 I also serve in various organizations
 7 outside the Company that bring some
 8 perspective to my job. I am a member of the
 9 Canadian Electricity Association Distribution
 10 Council and I represent the CEA on Measurement
 11 Canada's Electricity Policy Advisory
 12 Committee. I'm the Vice-Chair of the Faculty
 13 of Engineering and Applied Sciences Advisory
 14 Council at Memorial University and I also
 15 serve on the Board of Directors of
 16 Newfoundland and Labrador Safety Council.
 17 These outside activities give me a somewhat
 18 national perspective on electric utility
 19 issues and close ties with Memorial
 20 University's engineering program and the
 21 community safety.
 22 Q. Thank you, Mr. Delaney. Next what I'd like to
 23 do is give the Board an overview of the
 24 subject matter that you'll be discussing now
 25 in this proceeding.

Page 5

1 MR. DELANEY:
 2 A. My testimony focuses on engineering customer
 3 operations issues. First I'll describe how we
 4 manage cost in the Company and how we balance
 5 cost management to meet customer service
 6 expectations. I'll talk specifically about
 7 some of the productivity improvements we have
 8 implemented to improve the cost and service
 9 performance of the Company.
 10 Second, my testimony will focus on how we
 11 manage reliability, and here, I will address
 12 the issue of reliability and service standards
 13 raised by the Consumer Advocate. And finally,
 14 I will address several other outstanding
 15 issues raised by the Consumer Advocate during
 16 the negotiated settlement process.
 17 Q. The first matter that you mentioned was the
 18 management of Newfoundland Power's operating
 19 costs. So perhaps we can begin there and you
 20 can review for us the history of managing
 21 those costs.
 22 A. Operating costs represent approximately 11
 23 percent of the 2008 Cost of Service.
 24 Operating costs are those costs over which the
 25 Company has the greatest degree of control.

Page 7

1 percent on an inflation-adjusted basis from
 2 2002 through to 2008. The reduction in costs
 3 has not been at the expense of safety,
 4 reliability, customer service or environmental
 5 stewardship. In fact, a contributing factor
 6 to improved cost performance is that
 7 performance has improved in all these areas.
 8 Fewer outages, fewer accidents and fewer oil
 9 spills all result in lower operating costs.
 10 Q. How has Newfoundland Power achieved cost
 11 efficiencies?
 12 A. Our ability to achieve cost efficiency is
 13 related to productivity gains that have
 14 resulted from a mixture, a mixture of capital
 15 investment, organizational change, process
 16 improvements, technology and the corresponding
 17 work force reductions. The response to
 18 Request for Information CA-NP-324 outlines
 19 Newfoundland Power's views on cost efficiency
 20 and in particular, the relationship between
 21 cost and service. Fundamentally, Newfoundland
 22 Power aims to maximize the overall cost
 23 efficiency while maintaining overall service
 24 levels to customers.
 25 Q. Next, perhaps you could give us some examples

Page 6

1 If we can show Exhibit 1 of the first
 2 revision? Exhibit 1 shows Newfoundland
 3 Power's operating costs by function, from the
 4 period 2002 through to 2008. If we look at
 5 line 18, the subtotal line, this is our
 6 controllable operating costs which exclude
 7 deferred regulatory costs, pension costs and
 8 capitalized general expenses. When you look
 9 across line 18, you can see the operating
 10 costs are relatively stable. 2003's operating
 11 costs were 49.5 million. 2008, we are asking
 12 the Board to allow 49.4 million in operating
 13 costs to be incorporated in rates. So our Test
 14 Year operating costs are proposed to be about
 15 the same as five years ago, and this is
 16 consistent with least cost service delivery to
 17 our customers.
 18 One of the measures of cost efficiency
 19 that we use within the Company is the
 20 operating cost per customer and declining
 21 operating costs per customer is an indication
 22 of improving cost efficiency. I am pleased to
 23 say, Mr. Chair, that we have been able to
 24 reduce our operating cost per customer by four
 25 percent on an actual dollar basis and 15

Page 8

1 of how you achieve some of these efficiency
 2 gains?
 3 A. Yes, I'll give three examples. First, in
 4 2003, the Company implemented a new contact
 5 process for customer technical requests such
 6 as new service connections, pole relocations,
 7 easements, that sort of thing. Before the new
 8 technical contact process was established,
 9 technologists spent considerable time handling
 10 customer calls and organizing appointments,
 11 which was clearly not the best use of a
 12 technologist's skills. Under the new process,
 13 all technical calls are directed to our
 14 customer contact centre and the contact centre
 15 employees have been given the necessary
 16 training and tools to act as that conduit
 17 between the customer and our technologists in
 18 the field. Customers now have an efficient
 19 means to initiate a request or get the status
 20 of their request and technologists have more
 21 time to focus on the technical tasks in the
 22 field, rather than on administration. This
 23 technical contact process change is described
 24 in our response to CA-NP-324.
 25 Another example is the use of mobile

Page 9	Page 10
<p>1 MR. DELANEY: 2 computing technology to maintain cost 3 efficiency as the number of employees is 4 reduced at Newfoundland Power. We serve over 5 230,000 customers with over 10,000 kilometres 6 of power lines, 130 substations and 23 7 hydroelectric generating plants, spread over a 8 large service territory. Employees can spend 9 much of their time travelling. In such an 10 operating environment, mobile computing 11 technologies can have a significant impact on 12 employee productivity. For example, the 13 Company has introduced a hand-held computers 14 for employees who perform routine substation 15 transmission and distribution inspections. 16 These devices enable our inspectors to enter 17 the inspection results electronically in the 18 field and to upload that information into the 19 Company's Advantous Asset Management system 20 when they return to the office. This 21 eliminates the need to rekey data and also 22 reduces data errors because the data screens 23 are customized for the task at hand. More 24 efficient and accurate inspections result in 25 better scheduling, better coordination of</p>	<p>1 tools and equipment, more effective control of 2 spare parts inventory, better overall 3 productivity and reduced cost in the 4 maintenance function. Our response to CA-NP- 5 373 describes the use of mobile computing 6 technology in the Company. 7 My final example of organizational and 8 process change is the outsourcing of cash 9 services in 2005. At the time this decision 10 was made, the number of customers who were 11 paying their bills in person at our area 12 offices had been in steady decline and had 13 fallen to less than 15 percent. Customers are 14 relying more on electronic methods to pay 15 their bills, and walk-in cash payment service 16 was expensive, costing approximately \$1.29 per 17 transaction. As well, a capital expenditure 18 in the order of 350 to up to \$500,000 was 19 needed to maintain this service. Through an 20 RFP process, we decided to outsource the cash 21 function to Dominion Stores. Dominion was 22 able to provide more locations, better 23 locations and was open for longer hours. The 24 details of this arrangement with Dominion are 25 set out in our response to CA-NP-328.</p>
Page 11	Page 12
<p>1 Another positive change that resulted 2 from the cash outsourcing was that the Company 3 was able to consolidate operations in Corner 4 Brook and Grand Falls. In both those 5 locations, prior to 2005, we operated out of 6 two buildings and closing our cash service 7 enabled us to sell one building in each 8 location and use the proceeds to renovate the 9 other building to accommodate all the 10 employees under one roof, and the synergies of 11 bringing all employees together in one 12 location provided the additional savings. 13 (9:15 A.M.) 14 Q. In 2005, the Company undertook an early 15 retirement program. What was the significance 16 of that early retirement program? 17 A. The 2005 early retirement program crystallized 18 the efficiency gains resulting from capital 19 investment, organizational change, process 20 improvement and technology implementation. 21 Because of the productivity improvements 22 implemented in prior years, the Company was 23 able to reduce our work force without 24 compromising service to customers. 76 25 employees retired through the 2005 early</p>	<p>1 retirement program and 21 employees were hired 2 to replace them. The 2005 early retirement 3 program effectively reduces the Test Year 2008 4 operating salary costs by approximately two 5 million dollars from what it would otherwise 6 be. 7 Exhibit 3 contains the net present value 8 analysis of the 2005 early retirement program 9 which shows an overall net present value over 10 ten years of approximately 14 million dollars. 11 In addition to the cost benefits, the 2005 12 early retirement program brought a significant 13 number of new employees to Newfoundland Power. 14 In light of the demographic challenges facing 15 the Company over the next several years, this 16 also represents a benefit. 17 Q. Could you explain those demographic challenges 18 that are now facing the Company? 19 A. Newfoundland Power believes operating costs 20 must be managed with a view to the long term. 21 Nowhere is that more true than when we look at 22 the demographics of our work force. Many of 23 our employees were hired in the early 1970s as 24 the power system was rapidly expanding. Fewer 25 employees were hired in the 1980s and 1990s</p>

Page 13

1 MR. DELANEY:
 2 and as a consequence, we have an uneven
 3 demographic profile, with many employees now
 4 approaching retirement. We have a demographic
 5 bubble and it's not unlike many other Canadian
 6 utilities. By the end of 2008, there will be
 7 188 employees eligible to retire at
 8 Newfoundland Power. That's about one-third of
 9 the Company's full-time regular employees. So
 10 a significant number of retirements can be
 11 expected in the coming years. This represents
 12 both a challenge and a great opportunity for
 13 Newfoundland Power.

14 It will be a challenge to train the
 15 skilled work force needed to deliver the
 16 service our customers expect, and in some
 17 regards, we're quite unique, particularly when
 18 it comes to skills like linepersons. If
 19 Newfoundland Power and Hydro don't train
 20 linepersons, no one else in the Province will.
 21 So we currently have 20 apprentice linepersons
 22 in training with our Company. This is the
 23 highest level since the early 1970s. We also
 24 have six new engineers in training and six new
 25 technologists on board since 2005. Because

Page 15

1 in line two and three there. As outlined in
 2 the evidence here, the Company's approach to
 3 reliability management consists of three broad
 4 aspects: capital investment, maintenance
 5 practices, and operational deployment.

6 Q. Let's discuss each of those three components
 7 in turn. Let's first talk about capital
 8 investment, just explain that.

9 A. Over time, we have invested over 1.2 billion
 10 in our power system. As the plant and
 11 equipment becomes deteriorated, continual
 12 capital investment in new plant and equipment
 13 is required. All of this investment helps, to
 14 some degree, to maintain or improve
 15 reliability of service to customers. Over the
 16 past five years, we have made capital
 17 investments of approximately 30.2 million
 18 dollars annually to upgrade plant that is
 19 deteriorated, defective or obsolete.

20 Since 1999, we have included one project
 21 in our annual capital budget submissions that
 22 is specifically directed at reliability
 23 improvement. We call it the Distribution
 24 Reliability Initiative. Under this program,
 25 we assess our 15 worst performing feeders

Page 14

1 these new apprentices, new engineers and new
 2 technologists are in training on the job, they
 3 are not as productive as a seasoned employee.
 4 So they do exert upward pressure on costs over
 5 the short term. However, it is clearly
 6 necessary to incur these costs so that the
 7 Company is positioned appropriately to deal
 8 with the anticipated turn over in the work
 9 force.

10 The Company fully intends to use the
 11 opportunity that attrition through retirement
 12 presents to ensure that the maximum benefits
 13 of our capital investments, our process
 14 changes and technology deployment are captured
 15 by reducing the work force where it is prudent
 16 to do so. This is not unlike the approach the
 17 Company has taken in the past to reduce the
 18 work force through early retirement programs.

19 Q. The second issue that you mentioned in your
 20 opening comments was how you manage
 21 reliability. Would you outline for the Board
 22 Newfoundland Power's approach to reliability
 23 management?

24 A. Yes. Could you show page 25, the customer
 25 operations evidence? I guess the summary is

Page 16

1 every year. That's about five percent of our
 2 feeders. We analyze the five-year SAIDI,
 3 SAIFI indices and the customer minutes of
 4 outage on these feeders. The SAIFI and SAIDI
 5 indices are used throughout the electric
 6 utility industry to measure reliability.

7 SAIFI, with an F, is the average number of
 8 outages per customer, while SAIDI is the
 9 average hours a customer is without power.
 10 Customer minutes of outage is simply the
 11 number of customers multiplied by the minutes
 12 of outage experienced by the customers.

13 Let's show CA-NP-461, Attachment A, and
 14 it's page one of Attachment A on the screen
 15 there. This table shows the five-year average
 16 unscheduled distribution outages, and we've
 17 got it sorted here by customer minutes for the
 18 Company's 15 worst performing feeders. This
 19 information was also filed with the Board as
 20 part of Newfoundland Power's 2008 Capital
 21 Budget. It is indicative of the type of
 22 information filed every year with our capital
 23 budgets.

24 In our 2008 Capital Budget application,
 25 the three feeders we proposed to do work on,

Page 17

1 MR. DELANEY:
 2 under this distribution reliability
 3 initiative, are the top three listed in this
 4 table: LEW02, that's Lewisporte 02, serves
 5 rural communities east of Lewisporte, such as
 6 Baytona, Comfort Cove; BOT01, Botwood 01,
 7 serves rural communities north of Botwood,
 8 such as Fortune Harbour and Point Leamington;
 9 and GLV02, which is Glovertown 02 and it
 10 serves the Eastport Peninsula. These three
 11 distribution feeders have experienced between
 12 6.3 times and 9.3 times the Company average of
 13 unscheduled distribution related minutes of
 14 outage over the last five years, and these are
 15 typical statistics for distribution feeders
 16 that have been refurbished under the
 17 distribution reliability initiative.
 18 Typically, the feeders we work on under
 19 the Distribution Reliability Initiative are
 20 rural feeders that were built during the World
 21 Electrification Programs of the 1950s and
 22 '60s. These lines were built expediently and
 23 they were built to a low standard. We find
 24 that the poles are not strong enough. Many
 25 are actually made from local timbers treated

Page 19

1 the feeders worked on that year, that's for
 2 the five years prior to the Distribution
 3 Reliability Initiative. And the blue bar
 4 shows the duration of outages for the years
 5 subsequent to the Distribution Reliability
 6 Initiative work on that feeder. The
 7 reliability of those previously worst
 8 performing feeders has improved and is now
 9 more closely aligned with the Company average.
 10 This shows that the Distribution Reliability
 11 Initiative has been successful in making
 12 reliability of service more equitable across
 13 our service territory.
 14 On a broader basis, rural distribution
 15 reliability is on average materially poorer
 16 than urban distribution reliability in
 17 Newfoundland. In the five years from 2002
 18 through to 2006, rural distribution outages
 19 were on average two times longer than urban
 20 distribution outages. Now but this is an
 21 improvement over the previous five-year period
 22 when rural distribution outages were on
 23 average 2.6 times longer than urban
 24 distribution outages. The Distribution
 25 Reliability Initiative has been a contributor

Page 18

1 with tar. The span lengths from pole to pole
 2 are too long, and the conductors too small,
 3 and they conductors they used, because of
 4 their long span lengths was a number two ACSR,
 5 aluminum conductor with a steel reinforced
 6 conductor, and because of the dissimilar
 7 metals, the conductor is prone to salt
 8 corrosion in our environment, aluminum and
 9 steel.
 10 In short, these lines can no longer
 11 withstand the climatic conditions in which
 12 they operate, and its no surprise to me that
 13 these are the types of lines showing up in our
 14 Distribution Reliability Initiative.
 15 Please show Graph 6 from page 26 of the
 16 Customer Operations evidence. This graph
 17 clearly illustrates the success of the
 18 Distribution Reliability Initiative. I'll
 19 take some time to go through it. There's a
 20 lot of bars and lines there.
 21 The horizontal axis represents each year
 22 of the program and the vertical represents the
 23 SAIDI or the duration of outages due to
 24 problems on the distribution system. The
 25 purple bar shows the duration of outages on

Page 20

1 to this improvement. However, the economics
 2 associated with serving lower customer
 3 densities in rural areas practically ensures
 4 that rural distribution statistics will still,
 5 on average, be poorer than urban statistics.
 6 Newfoundland Power's approach to addressing
 7 this economic reality is based on sound
 8 engineering analysis, and that analysis is
 9 routinely before the Board on an annual basis
 10 in capital budget applications.
 11 Q. Okay, Mr. Delaney, that was the capital
 12 investment component. Now the second component
 13 of managing reliability that you mentioned was
 14 maintenance. Would you explain Newfoundland
 15 Power's maintenance practices and the
 16 relationship to reliability?
 17 A. We think of maintenance as falling into two
 18 broad categories, preventive maintenance and
 19 breakdown maintenance. There have been
 20 significant improvements in our preventive
 21 maintenance program over the past five years
 22 as we introduce new technology and reorganized
 23 our work force to support this important
 24 function.
 25 Preventive maintenance involves a system

Page 21

1 MR. DELANEY:
 2 of inspections, diagnostic testing and
 3 periodic overalls. For instance, our 130
 4 substations are inspected monthly. In our
 5 substations, we have to maintain almost 4, 000
 6 pieces of major electrical equipment of
 7 diverse vintages, technologies, manufacturers
 8 and condition. Any defects found during
 9 inspection are recorded, prioritized and
 10 scheduled and work orders are issued through
 11 our asset management system to correct them.
 12 Predictive maintenance is a subset of
 13 preventive maintenance and involves using
 14 technologies to anticipate equipment failures.
 15 For example, the Company has an oil sampling
 16 program for major substation equipment, such
 17 as power transformers and breakers. We have
 18 on file lab analysis results of oil samples
 19 taken annually from our major substation
 20 equipment. From these oil samples, we have
 21 developed a chemical signature or a
 22 fingerprint for each piece of equipment, and
 23 each year, we have the new oil sample taken
 24 and have it tested, and if there's any changes
 25 to the chemical signature, then that could be

Page 23

1 maintenance is reactive in nature. It is more
 2 costly than preventive maintenance. The
 3 unplanned nature of breakdown maintenance
 4 leads to increased costs, particularly
 5 overtime labour.
 6 Let's show Graph 7 from the Customer
 7 Operations evidence. This shows breakdown
 8 maintenance costs from 2002 through to 2006.
 9 Breakdown maintenance has decreased by 21
 10 percent by 2002. We do think breakdown
 11 maintenance cost is an indicator of improved
 12 preventive maintenance efficiency which
 13 improves reliability, and this is consistent
 14 with least cost electrical system operations.
 15 Q. The third aspect of the approach to
 16 reliability management that you spoke about
 17 was operational deployment. Would you explain
 18 what that means?
 19 A. Operational deployment is about our readiness
 20 to respond to power outages when they occur
 21 and our efficiency in restoring service. When
 22 a feeder level or greater power outage occurs,
 23 that event immediately becomes the top
 24 priority in Newfoundland Power's operations.
 25 Our response to an unscheduled outage involves

Page 22

1 an indication of an internal problem in the
 2 equipment.
 3 (9:30 A.M.)
 4 In April of this year, we had an
 5 equipment failure--an equipment failure was
 6 avoided as a result of oil analysis at our
 7 Broad Cove substation, which is in Portugal
 8 Cove St. Phillips. During a routine oil test,
 9 a high concentration of hydrogen gas was
 10 detected in the substation power transformer,
 11 and since this could indicate a problem, our
 12 maintenance staff decided that an immediate
 13 response was required. When the transformer
 14 was taken out of service, an internal
 15 inspection revealed serious carbon
 16 contamination inside the unit. Repairs were
 17 made and the unit was returned to service. If
 18 this problem had gone undetected, it would
 19 have eventually resulted in a power outage of
 20 at least 24 hours for over 4,400 customers and
 21 possibly a one and a half million dollar
 22 transformer replacement.
 23 Breakdown maintenance, on the other hand,
 24 refers to fixing plant or equipment to restore
 25 service after it has failed. Breakdown

Page 24

1 two teams, a technical team and a customer
 2 team.
 3 The technical team includes engineers,
 4 technologists, linepersons. Their focus is to
 5 find the trouble, assess the trouble, perform
 6 an necessary switching and get the repairs
 7 done. Power restoration is a methodical
 8 process. It is tightly controlled from the
 9 system control centre and we operate under a
 10 standard protection code to ensure that all
 11 the work is conducted safely.
 12 The customer team ensures that voice
 13 messages in our outage notification system are
 14 updated with the most current information on
 15 the outage. The customer contact centre
 16 employees have the latest information from the
 17 field to give the customers who call in, and
 18 our customer team is also making outbound
 19 calls to customers. Each feeder has a
 20 customer contact list. During large outages,
 21 we attempt to contact these customers, who are
 22 typically large businesses and customers with
 23 critical operations, such as schools,
 24 hospitals, senior citizen homes, and customers
 25 with civic responsibilities, such as town

Page 25

1 MR. DELANEY:
 2 councils, fire departments, police departments.
 3 If the outage is of long duration, it
 4 will often become apparent, based on the field
 5 operations, that some customers are going to
 6 be off longer than others, and the customer
 7 team is sensitive to that as well, and will
 8 identify customers who will be off longer than
 9 others and communicate directly with those
 10 customers. The customer team also interacts
 11 with the media.
 12 We have organized our work force to
 13 ensure we can respond quickly. We have a
 14 presence in 23 locations across the island.
 15 This enables us to respond quickly to power
 16 outages, trouble calls, to fire calls, wire
 17 down calls and any other call where the power
 18 system may be posing a safety hazard. Our
 19 target for response time is to get to the
 20 location of a trouble time within two hours,
 21 and that's 85 percent of the time.
 22 Effective operational deployment also
 23 requires the necessary contingencies plans are
 24 in place and that the Company has a sufficient
 25 inventory of spare parts and materials to

Page 27

1 5, and they show the reliability performance
 2 for the period 2002 through to 2006. Let's
 3 look at Graph 4, SAIFI. Graph 4, which is the
 4 SAIFI, shows that the frequency of outages
 5 experienced by customers has decreased by 39
 6 percent from 2002 to 2006. If we can move
 7 down to Graph 5? Graph 5, which is the SAIDI,
 8 shows that the duration of outages experienced
 9 by customers has decreased by 34 percent.
 10 2006 was our best year ever for
 11 reliability on record, and we achieved this
 12 result through capital investment, maintenance
 13 and the operational deployment approach. The
 14 cost to customers of this approach is also
 15 clearly contained in the evidence. Please
 16 show Table 11 of the Supplemental Evidence,
 17 and look at Table 11 here. If the Board
 18 approves the Amended Application, Newfoundland
 19 Power's net contribution to customer rate
 20 increases for the period 2002 through to 2008
 21 will total one percent.
 22 Q. Now with that background, Mr. Delaney, what I
 23 want to turn to next is this discussion of
 24 distribution, reliability and service
 25 standards. Is a Board mandated distribution

Page 26

1 respond to emergencies. The Company has a
 2 service restoration plan for each of our
 3 operating areas. We also maintain a 2. 5
 4 megawatt portable diesel plant and a 6. 5
 5 megawatt portable gas turbine to serve as
 6 contingency power supplies in the event of a
 7 large scale damage to a substation or
 8 transmission line due to a sleet storm or
 9 fire.
 10 Q. Just summarize then for us Newfoundland
 11 Power's approach to reliability management and
 12 then tell us about the results that that
 13 approach has achieved.
 14 A. The key attributes of Newfoundland Power's
 15 approach to reliability management relate to
 16 capital investment which is reviewed annually
 17 by the Board in advance of expenditures and is
 18 based on detailed engineering evidence and
 19 economic analysis, maintenance practices which
 20 are consistent with current industry practice
 21 and operational deployment which is reasonably
 22 responsive to the realities of Newfoundland
 23 Power's service territory.
 24 Can we show page 24 of the evidence? On
 25 page 24, we have two graphs, Graph 4 and Graph

Page 28

1 reliability and service standard appropriate
 2 for Newfoundland Power?
 3 A. No, and let me explain why. Current
 4 regulatory oversight over Newfoundland Power's
 5 service and reliability performance is both
 6 reasonably comprehensive and reasonably
 7 efficient. Further standards are not
 8 justified. At present, the Board exercises
 9 regulatory oversight over the service and
 10 reliability performance of Newfoundland Power
 11 through various means, including the capital
 12 budget application process, quarterly
 13 reporting and reporting of exceptional
 14 incidents. All of Newfoundland Power's
 15 capital expenditures must be approved in
 16 advance by the Board in a public process that
 17 uses guidelines established through input from
 18 all stakeholders. The process is fully
 19 transparent and before any reliability based
 20 capital expenditures are made, the Company's
 21 specific proposed expenditures are placed
 22 before the Board for consideration. In
 23 addition, five-year capital forecasts are
 24 before the Board as part of the current
 25 guidelines.

Page 29

1 MR. DELANEY:
 2 Each capital budget application of
 3 Newfoundland Power is accompanied by detailed
 4 engineering and economic analysis aimed at
 5 establishing for the Board that the Company's
 6 capital expenditures are consistent with least
 7 cost provision of reliable service. All of
 8 this material is before the Board before
 9 Newfoundland Power commences its capital
 10 program.
 11 In 1999, the Board, in consultation with
 12 Newfoundland Power, mandated a quarterly
 13 reporting process. While the quarterly report
 14 was more comprehensive than the pre-1999
 15 monthly reports, it was created with no
 16 greater overall effort or cost and this is
 17 largely because Newfoundland Power's business
 18 reporting is quarterly and having regulatory
 19 reporting consistent with this is efficient.
 20 The quarterly report contain a comprehensive
 21 array of service measures related to
 22 reliability, customer service, safety and
 23 environmental performance. They also include a
 24 review of major events that have impacted
 25 Newfoundland Power's reliability within the

Page 31

1 these reports, but I will observe that each of
 2 these reports contains between 40 and 50 pages
 3 of various metrics used to qualify and
 4 quantify the performance of the Company.
 5 Customer service performance indicators, such
 6 as customer satisfaction, first call
 7 resolution, service level and trouble call
 8 response metrics are provided. Reliability
 9 performance indicators include customer
 10 minutes of outage, the SAIDI and SAIFI
 11 indices, and this information is broken down
 12 by operating area, by origin, by scheduled and
 13 unscheduled outages. Other data is provided
 14 regarding generation, power produced and
 15 purchased, peak demand and customer and
 16 employee statistics. So that's the current
 17 reporting regime for service and reliability
 18 for Newfoundland Power.
 19 Q. What's the experience with service and
 20 reliability standards elsewhere in Canada?
 21 A. When we look at other regulatory jurisdictions
 22 across Canada, we see that there is limited
 23 experience with formal regulated service and
 24 reliability standards, particularly for
 25 utilities under traditional cost of service

Page 30

1 quarter and reliability enhancements that have
 2 taken place during the quarter.
 3 Newfoundland Power also reports to the
 4 Board, by the next business day, all power
 5 outages exceeding 5,000 customer hours, all
 6 damage claims exceeding \$5,000 or affecting
 7 five or more customers, and all safety
 8 incidents where a member of the public comes
 9 in contact with a power line. It is our
 10 belief that the current service and
 11 reliability performance reporting meets the
 12 reasonable needs of the Board and other
 13 stakeholders in the regulatory process. The
 14 information provided allows the Board and
 15 others to track the service and reliability
 16 performance of the utility with respect to
 17 current and historical performance. This can
 18 be done without adding costs associated with
 19 the tracking and compiling of information not
 20 already used for business purposes.
 21 The response to CA-NP-8 placed on the
 22 record the quarterly regulatory reports from
 23 the first quarter of 2004 through to the first
 24 quarter of 2007. I won't take the time to
 25 review in detail the information contained in

Page 32

1 regulation. One Canadian jurisdiction that
 2 has service quality and reliability standards
 3 is Alberta, and as discussed by Mr. Ludlow,
 4 the adoption of Alberta's service quality and
 5 reliability standards was a response to
 6 customer dissatisfaction with service
 7 following retail electricity deregulation in
 8 that province.
 9 Another Canadian jurisdiction that has
 10 service quality standards is Ontario.
 11 Ontario's electricity distribution service
 12 quality standards have their origin in the
 13 adoption of performance based regulation or
 14 PBR for distribution utilities which occurred
 15 in 2000. The adoption of PBR provided
 16 incentives for economic efficiency and this
 17 had the potential to encourage utilities to
 18 sacrifice service quality in pursuit of these
 19 incentives. It was to discourage this that
 20 the Ontario Energy Board established service
 21 quality standards.
 22 We filed, in response to CA-NP-432, a
 23 copy of the service quality standards adopted
 24 in 2000 by the Ontario Energy Board for
 25 electric distribution utilities. If we could

Page 33

1 MR. DELANEY:
 2 show CA-NP-432, First Revision?
 3 (9:45 A.M.)
 4 CA-NP-432, First Revision, has, at
 5 Attachment A, a copy of the revised standards
 6 adopted in 2005, and as you can see from line
 7 12, the Ontario Energy Board has begun a
 8 further review of the standard, with a view to
 9 further revisions.
 10 Q. What is the experience with these standards in
 11 the United States?
 12 A. Reliability and service standards appear to be
 13 more common in the United States than in
 14 Canada, but their application varies across
 15 jurisdictions. The use of these standards by
 16 American regulators appears to have come about
 17 largely as a result of concern about under
 18 investment in a restructured utility industry.
 19 The spectrum of service regulation in the
 20 United States appears to be divided into about
 21 three general groupings. One is monitoring,
 22 which is similar to the reporting Newfoundland
 23 Power does for the Board at present. Second
 24 is the setting of targets for regulatory
 25 purposes which trigger explanation and action

Page 35

1 can move down to the table?
 2 As you can see, under filing
 3 requirements, Delaware reports annually, while
 4 here in Newfoundland, we report quarterly.
 5 Quarterly reporting to the Board works well
 6 for us. We report quarterly within the
 7 Company. It's efficient.
 8 Delaware reports against benchmarks,
 9 while we do not. We can note here that there
 10 are two utilities in Delaware, the Delaware
 11 Electric Cooperative, which is a rural
 12 utility, and Delmarva Power which serves more
 13 urban customers. The rural benchmarks for
 14 reliability are more than twice the urban
 15 customers.
 16 There are some differences in the
 17 inspection and maintenance programs.
 18 Maintenance programs would be expected to vary
 19 between utilities, depending upon the local
 20 conditions and the age of the equipment.
 21 Engineering studies. Engineering studies
 22 in Delaware appear to involve a more public
 23 process, while here in Newfoundland, planning
 24 is undertaken jointly by the two utilities,
 25 with input from the Industrial Customers.

Page 34

1 plans when a utility fails to make that
 2 target. And third is a system of penalties
 3 and rewards.
 4 One example of American service
 5 regulation put forward by the Consumer
 6 Advocate was the Delaware Public Service
 7 Commission's Electric Service Reliability and
 8 Quality Standards. In Delaware, the
 9 introduction of service reliability and
 10 quality standards originated a 1999
 11 investigation into outages by the Delaware
 12 Public Service Commission. A key focus of the
 13 investigation was whether Delmarva Power was
 14 investing sufficiently in the reliability of
 15 its transmission and distribution systems. In
 16 2006, the service reliability and quality
 17 standards were adopted. Interim standards
 18 were in place since 2003.
 19 Let's show CA-NP-65, Attachment A. In
 20 this response, we provided a comparison
 21 between the Delaware Public Service
 22 Commission's Electric Service Reliability and
 23 Quality Standards and Newfoundland Power's
 24 practices. We have undertaken a nine-point
 25 comparison between the two utilities. If we

Page 36

1 Under reliability reporting, the metrics
 2 used by both Delaware and Newfoundland Power
 3 are standard measures. In Delaware, they use
 4 the customer specific metrics, referred to
 5 here as CEMI and CELID. These alternative
 6 measures require monitoring the power system
 7 at the customer level and Newfoundland Power
 8 does not have the technology to provide those
 9 measures. Let's move down to page two.
 10 Both utilities address worse performing
 11 feeders. Both jurisdictions are similar in
 12 that the regulator is notified as soon as
 13 practical in the event of a major system
 14 event. Response times of two hours also
 15 appear to be similar.
 16 The outage management systems of the two
 17 utilities are very different. The Delaware
 18 outage management system leaks geographical
 19 information to distribution facilities and
 20 customers, allowing them to track outages at a
 21 customer level. Newfoundland Power's outage
 22 management system is built around our 15-year-
 23 old customer service system and is much less
 24 elaborate than the Delaware system.
 25 So we can see that regulatory oversight

Page 37

1 MR. DELANEY:
 2 in Newfoundland is similar to Delaware in some
 3 regards, and in some areas, most notably in
 4 the area of performance benchmarks and outage
 5 management technology, we differ.
 6 When I look at these service quality
 7 standards in Alberta and Ontario and Delaware,
 8 I observe that they were each created to deal
 9 with specific issues in their jurisdictions.
 10 In Alberta, it was poor service quality. In
 11 Ontario, it was incentives to under invest in
 12 distribution reliability. In Delaware, it
 13 appeared to be a combination of service
 14 quality and disincentive to investment. I do
 15 not see similar issues right now in this
 16 province. Currently the Board has a
 17 comprehensive reporting regime for
 18 Newfoundland Power and Newfoundland and
 19 Labrador Hydro. It provides meaningful and
 20 comprehensive information on current service
 21 and reliability. Through the annual capital
 22 budget approval process, the Board is provided
 23 with the detailed information necessary to
 24 assess all planned expenditures that affect
 25 service and reliability.

Page 39

1 island of Newfoundland, but it has a peak load
 2 similar to Newfoundland Power. Vermont's
 3 situation is very different than
 4 Newfoundland's. In the State of Vermont,
 5 there are approximately 20 different
 6 distribution utilities employing different
 7 reliability standards. With 20 utilities,
 8 such standards may be necessary, but I don't
 9 think standardizing multiple reliability
 10 targets is appropriate for the customers of
 11 Newfoundland Power.
 12 A second concern is the cost associated
 13 with implementing the standards and their
 14 ongoing administration, a standard that
 15 requires data and reporting as additional to
 16 the data and reporting that management
 17 currently uses to run the business may add
 18 material capital costs for new information
 19 systems. In our discussions with management
 20 at utilities with these standards, it is clear
 21 that there is a material effort and cost
 22 associated with administering them.
 23 There's also significant effort and cost
 24 associated with developing meaningful
 25 standards. In Ontario, as I showed earlier,

Page 38

1 Given this, the introduction of
 2 regulatory service quality and reliability
 3 standards does not appear, to Newfoundland
 4 Power, to be justified.
 5 Q. What concerns does Newfoundland Power have
 6 with the implementation of a distribution
 7 reliability and service standard as proposed
 8 by the Consumer Advocate?
 9 A. The Company has three main concerns with the
 10 Consumer Advocate's reliability and service
 11 standards proposal. The first concern is how
 12 to deal with the difference between urban and
 13 rural reliability when setting benchmarks.
 14 Although Newfoundland Power manages
 15 reliability consistently across our entire
 16 service territory, adopting one performance
 17 benchmark for all customers is simply not
 18 practical. Reliability performance varies
 19 across our service territory, especially
 20 between urban and rural areas.
 21 The Consumer Advocate has presented
 22 evidence regarding reliability and service
 23 standards that apply to Green Mountain Power
 24 in the State of Vermont. Vermont is
 25 approximately 25 percent the size of the

Page 40

1 the Ontario Energy Board is further
 2 considering service quality standards seven
 3 years after their introduction. In Delaware,
 4 it took six years to settle the issue of
 5 standards. We have worked hard in
 6 Newfoundland Power to reduce our
 7 administrative overheads. Administrative and
 8 engineering costs, which are shown in Exhibit
 9 1, First Revision, at line five, they had
 10 decreased 2.1 million dollars from 7.8 million
 11 in 2002 to 5.6 million in 2008. One of our
 12 successes has been taking overheads out of the
 13 organization and focusing more of our
 14 resources on the customer directly. Any
 15 initiative that will increase administration
 16 costs needs to be understood as to how it will
 17 benefit the customer before it is implemented.
 18 At this point, the additional cost of
 19 implementing reliability and service standards
 20 is an unknown, but more importantly, I have no
 21 reason to believe that the adoption of
 22 standards will provide any material benefit to
 23 our customers. Newfoundland Power's capital
 24 and operating procedures and the Board's
 25 current regulatory oversight mechanisms are

Page 41

1 MR. DELANEY:
 2 effective in ensuring reliable service and
 3 customer satisfaction.
 4 A third concern we have is the extent to
 5 which such standards will reduce management's
 6 flexibility to run the business. Management
 7 routinely makes decisions that impact costs
 8 and service. For example, management made a
 9 decision to suspend the distribution
 10 reliability initiative in 2007 to manage the
 11 overall size of the capital budget because of
 12 the large 18 million dollar Rattling Brook
 13 refurbishment project. Internally, we changed
 14 our management standard for reporting
 15 reliability from SAIDI to SAIFI to customer
 16 minutes of outage because it was easier for
 17 employees to understand. In 2005, we decided
 18 to outsource cash, which reduced cost, but it
 19 did result in a change in customer service.
 20 The degree to which the implementation of
 21 standards might limit or delay decisions like
 22 these is a concern for Newfoundland Power.
 23 Newfoundland Power must account for its
 24 service performance and we accept that, and we
 25 come to these proceedings with a proven record

Page 43

1 work done by B.C. Hydro on customer focus
 2 reliability. After the August 2003 black out
 3 that impacted much of the northeast United
 4 States and Ontario, there was work done by the
 5 U.S. Department of Energy to quantify the cost
 6 of poor reliability. These studies generally
 7 are not conclusive and call for further work
 8 to be done.
 9 (10:00 A.M.)
 10 Some of the reason for this lack of
 11 conclusion, I think, is clear. Different
 12 customers have different reliability
 13 expectations, but they are served by a common
 14 infrastructure at largely common cost.
 15 Transmission and distribution assets, by their
 16 nature, are communal assets. Let's consider
 17 our Botwood 01 feeder which is included in the
 18 2008 Distribution Reliability Initiative.
 19 On that feeder, there are two senior
 20 citizen homes. There's a glove manufacturing
 21 facility. There's a fish plant, and there are
 22 numerous seasonal cottages. Presumably, the
 23 fish plant requires a greater degree of
 24 reliability than a seasonal cottage customer,
 25 and therefore, may even be willing to pay more

Page 42

1 of cost control, reliability improvement and a
 2 high level of customer satisfaction. However,
 3 if routine managerial decision making becomes
 4 subject to additional Board approvals and
 5 process, it raises an issue of regulatory
 6 efficiency. The recent focus on reducing the
 7 complexity of regulatory oversight provides
 8 benefits for customers. The adoption of
 9 regulated service standards at this time is
 10 not consistent with reducing that complexity.
 11 Q. Can I get you next to comment generally on the
 12 issue of valuing reliability?
 13 A. Yes, I can. It is clear that our customers
 14 place a high value on reliable service. That
 15 much is simple. Establishing a meaningful
 16 dollar value that customers place on
 17 electrical system reliability that can be used
 18 by the utility in managing reliability is far
 19 less simple. There have been numerous
 20 technical studies and reports produced over
 21 time that have attempted to put a value on
 22 reliable electric service.
 23 In the 1990s, there was considerable work
 24 done by the Electric Power Research Institute
 25 around this question. There has also been

Page 44

1 for reliability. But because the fish plant
 2 and the seasonal cottage are both served by
 3 the same distribution feeder, we cannot
 4 practically respond to differing reliability
 5 expectations on a customer by customer basis.
 6 The overall reliability of service will be the
 7 same for all customers on the Botwood 01
 8 feeder, regardless of their individual
 9 requirements, because all the customers are
 10 served by the same poles and wires and
 11 equipment and this is true for virtually all
 12 of our 300 distribution feeders.
 13 Q. What's the current status of the Canadian
 14 Electricity Association's efforts to develop
 15 industry performance indicators?
 16 A. The CEA has an initiative to develop a set of
 17 industry standard performance indicators that
 18 can be used by utilities to report their
 19 performance to regulators and this initiative
 20 reflects a desire by industry to work with
 21 regulators to ensure indicators used in the
 22 regulatory setting are accurate and
 23 meaningful. Through CEA's distribution and
 24 customer councils, in which Newfoundland Power
 25 participates, appropriate benchmarking

Page 45

1 MR. DELANEY:
 2 indicators are being developed. The goal of
 3 the CEA initiative is to propose a set of high
 4 level indicators for use in the regulatory
 5 setting by the end of 2007. Whether or not
 6 this time table will be met is uncertain right
 7 now. However, Newfoundland Power intends to
 8 continue to participate in the initiative.
 9 Q. Thank you, Mr. Delaney. I want to turn next
 10 now and look at the Consumer Advocate's other
 11 issues, and the first is electronic billing.
 12 Can you describe Newfoundland Power's
 13 experience with electronic customer billing?
 14 A. Electronic billing or eBills is one advance we
 15 have made to take advantage of increased
 16 internet use, to reduce costs, while expanding
 17 customer service. Through eBills, customers
 18 can elect to get their monthly bill via email
 19 rather than a printed bill through the mail.
 20 If we can show CA-NP-73, Table 1?
 21 As can be seen in this table,
 22 participation has grown rapidly from 4,275 in
 23 2004 when the program started to 14,195 when
 24 this RFI was prepared. As of mid October, we
 25 have 15,600 customers availing of the eBill

Page 47

1 Q. Do you think financial incentives to have
 2 customers join eBills are justified?
 3 A. No, I don't. Our current approach is working
 4 very well and we do not think that financial
 5 incentives are necessary. Furthermore, a
 6 system for providing financial incentives to
 7 customers who participate in eBills would be
 8 costly to implement and to administer.
 9 Financial incentives could also be perceived
 10 as being unfair to customers who do not have
 11 the ability to receive bills via e-mail.
 12 Recently we surveyed Canadian electric
 13 utilities about electronic billing to assess
 14 where we stood in relation to participation
 15 rates and promotion. We received responses
 16 from 13 companies. At approximately 7
 17 percent, the percentage of our customers
 18 participating in eBills is higher than any of
 19 the 13 companies who responded to the survey.
 20 And none of the utilities responding to the
 21 survey offered financial incentives related to
 22 electronic billing. We will continue to
 23 promote eBills, as we have in the past, and
 24 will continue to explore cost-effective ways
 25 to increase participation. We are currently

Page 46

1 option. In February of this year, we removed
 2 an obstacle that was hampering the growth of
 3 eBills. The obstacle was that customers were
 4 required to log in to their account to get
 5 their eBill and customers were forgetting
 6 their log in information and would drop out of
 7 the electronic billing option because of this
 8 inconvenience. So we made the necessary
 9 technical changes and we now email the bill
 10 directly to customers, thus making the option
 11 much easier for the customers to use.
 12 We use a variety of means to promote
 13 eBills, including bill inserts, our internet
 14 site and print advertising. We also have a
 15 promotional voice message that customers
 16 listen to while they're on hold at the
 17 customer contact centre. Our contact centre
 18 employees, when the opportunity is right,
 19 promote eBills to customers who phone us. As
 20 well, to specifically target internet users,
 21 we have a banner ad at the top of the VOICM
 22 news web site. We have also sent emails to
 23 every email account we have on file in our CSS
 24 system asking the customer whether they want
 25 to join eBills.

Page 48

1 putting extra effort into getting customers
 2 with multiple accounts, such as landlords,
 3 rental management companies and government
 4 enrolled in eBills.
 5 Q. Let's go next to the issue of how Newfoundland
 6 Power forecasts its labour costs and how the
 7 Company deals with vacancies. Would you
 8 explain how labour costs are forecast?
 9 A. Certainly. First, let me begin by explaining
 10 that Newfoundland Power does not have a rigid
 11 organizational structure. We have a flexible
 12 approach to work requirements, moving
 13 employees to meet operational needs as
 14 required. Essentially, we focus on employees
 15 and work requirements, not positions. If an
 16 employee leaves or retires, the Company first
 17 determines whether the duties can be performed
 18 by modifying or expanding the duties of
 19 existing employees. Accordingly, we forecast
 20 our labour requirements no on the basis of a
 21 fixed compliment of staff, but on the basis of
 22 full Time Equivalents, or FTEs. Under this
 23 approach the tracking of vacancies is not
 24 useful and Newfoundland Power has not done so
 25 for many years. We believe that for a company

Page 49

1 MR. DELANEY:
 2 of Newfoundland Power's size with many small
 3 operations throughout the island an approach
 4 focusing on staff positions would restrict
 5 flexibility and limit the pursuit of
 6 productivity improvement. Newfoundland
 7 Power's flexible approach to staffing insures
 8 that we avail of opportunities to reduce the
 9 workforce whenever it is prudent to do so.
 10 This, in turn, insures that labour costs are
 11 minimized for the benefit of our customers.
 12 If we can go to Graph 2 on page 19 of the
 13 evidence? The success of Newfoundland Power's
 14 flexible approach is evidenced in the
 15 reduction in FTEs. As seen in this graph, the
 16 workforce, as measured by FTEs has reduced by
 17 six percent from 2002 to 2206.
 18 Q. The next question relates to productivity
 19 allowance. Should the Board reduce the
 20 Company's forecast test year operating costs
 21 through a productivity allowance?
 22 A. No. In the test year our customers would
 23 benefit from all the sustainable productivity
 24 measures implemented by the Company up to 2008
 25 and they will also receive a benefit

Page 51

1 management of Newfoundland Power. No further
 2 reduction in the 2008 operating forecast is
 3 justified.
 4 Q. Next I want to talk about utility safety.
 5 Should the Board direct Newfoundland Power to
 6 coordinate a utility communication program
 7 with Newfoundland and Labrador Hydro on
 8 utility safety issues?
 9 A. It is not necessary for the Board to direct
 10 the Company to actively coordinate with
 11 Newfoundland and Labrador Hydro on utility
 12 safety issues. Such coordination and
 13 cooperation already exists. We have a
 14 cooperative working relationship with Hydro on
 15 a wide range of issues and areas, including
 16 safety. We exchange accident reports, safety
 17 alerts and we share safety programs. Both
 18 utilities provide electrical safety training
 19 for fire fighters and we work together to
 20 update that training program as necessary.
 21 Both utilities work with the Workplace Health
 22 and Safety Compensation Commission on updating
 23 and delivering the Power Line Hazards Course,
 24 Safety Training Course. In August of 2006 in
 25 response to an increase in public contacts and

Page 50

1 associated with efficiency gains that have not
 2 yet been identified. So let me explain that.
 3 If we can show CA-NP-47? Table 1 shows our
 4 forecast of operating labour comparing 2007
 5 and 2008. The total labour line, which is
 6 bolded, in that line we can see an increase of
 7 \$1,002,000 from 2007 to 2008. Now this
 8 increase is based on the fact that under the
 9 terms of our five-year collective agreement we
 10 will have a wage increase of four percent in
 11 2008. And we're also forecasting management
 12 wages will increase by three percent. In the
 13 next column we see a productivity improvement
 14 of \$531,000. Management has reduced test year
 15 operating labour by this amount to reflect
 16 cost efficiency improvement we believe we will
 17 be able to achieve in 2008. We believe that
 18 such a level of efficiency improvement is
 19 achievable without compromising service
 20 levels. If we do not or cannot achieve such
 21 efficiencies, then customers will still
 22 receive the benefits of the \$531, 000
 23 reduction. The 2008 operating labour forecast
 24 of 28.7 million is consistent with reasonable
 25 and sustainable continued efficiency in the

Page 52

1 tree cutting incidents both utilities got
 2 together and in partnership with the Workplace
 3 Health and Safety Compensation Commission
 4 issues a joint safety notice to all 15,000
 5 workplaces an employers in the province. The
 6 two utilities have also cooperated in safety
 7 advertising in the areas of hunter safety,
 8 snowmobile safety and tree cutting safety.
 9 Newfoundland Power will continue to cooperate
 10 with Hydro in communicating safety messages
 11 and programs. However, the objective of this
 12 cooperative effort is to maximize the
 13 effectiveness of our joint efforts, not to
 14 reduce safety-related expenditures.
 15 Q. Next I want to have you talk about utility
 16 pole installation practices and used poles.
 17 Would you describe Newfoundland Power's
 18 utility pole installation practices?
 19 A. Newfoundland Power installed 5845 poles in
 20 2006. It is clearly a large component of our
 21 business. The Company has contracted out pole
 22 installations and removals since the early
 23 1990s. The key management focus for the
 24 Company in working with our pole contractors
 25 has been to insure that their work is of a

Page 53

1 MR. DELANEY:
 2 standard equal to that of Company's own
 3 employees. To insure that the pole management
 4 function is carried out at least cost to our
 5 customers it is important that there be a
 6 competitive market in Newfoundland for pole
 7 contractors. To achieve this, we have a
 8 minimum of five separate pole contracts in
 9 place and larger projects are contracted out
 10 individually. By using this approach we have
 11 been successful in maintaining a competitive
 12 market for pole contractors on the island.
 13 (10:15 A.M.)
 14 At present there are five qualified
 15 contractors under contract to Newfoundland
 16 Power for pole services. A Newfoundland Power
 17 pole contract involves many things, involves
 18 the installation, removal, transportation,
 19 storage and supply of poles, both new and
 20 used. We allow contractors to supply us with
 21 used poles under specific conditions. We
 22 reuse poles because many of our poles are
 23 removed for issues other than deterioration
 24 and they remain serviceable. For example, a
 25 pole may be removed because it was in the way

Page 55

1 its pole management function between 1997 and
 2 1999, shifting responsibility for pole storage
 3 to, and transportation, the final two things,
 4 pole storage and transportation, to our
 5 contractors. The move to fully out source
 6 pole management has been very cost effective.
 7 The cost to install a pole in 1997 prior to
 8 the change was \$1282 per pole. Our cost to
 9 install a pole in 2007 is \$1392 per pole, a
 10 nine percent increase over ten years. On an
 11 inflation-adjusted basis, the cost has
 12 actually decreased by 11 percent.
 13 Q. And the final issue relates to energy
 14 conservation advertising. Should the Board
 15 direct Newfoundland Power to devote additional
 16 resources to radio and television advertising
 17 for energy conservation at this time?
 18 A. No, I don't, I don't believe that devoting
 19 additional resources to radio and television
 20 advertising for energy conservation would be
 21 appropriate at this time. First, let me
 22 explain what we are doing. Energy efficiency
 23 and conservation is an area of increasing
 24 customer interest. The number of customers
 25 who contact the Company about energy

Page 54

1 of a road-widening project or because it was
 2 not high enough to accommodate additional
 3 telecommunications cables. Reusing old poles
 4 is environmentally responsible and is common
 5 practice in the industry. Of the 5845 poles
 6 we installed in 2006 less than seven percent
 7 were used poles. In 2006 we paid contractors
 8 \$87,000 for used poles. This is less than two
 9 percent of the overall cost of poles for
 10 Newfoundland Power. The cost contribution of
 11 used poles to the overall scheme is fairly
 12 small, so to simplify administration we pay
 13 our contractors the same price for both new
 14 and used poles. Overall, we get a blended
 15 rate that reflects the contractor's costs for
 16 new and used poles. If we were to change the
 17 practice, the contractors would recover their
 18 cost by simply adjusting the new and used pole
 19 prices accordingly. There would be no change
 20 in our pole cost, pole-supply cost, but the
 21 cost to administer the contract would just
 22 increase.
 23 Q. Are Newfoundland Power's utility pole
 24 installation practices least cost?
 25 A. Yes, they are. The Company fully out sourced

Page 56

1 efficiency information has increased 94
 2 percent from 2002 to 2006. To understand
 3 customer expectations in this area we have
 4 conducted customer attitude surveys on energy
 5 efficiency each spring since 2005. Through
 6 these surveys customers indicate that their
 7 preferred source of information and programs
 8 for the efficient use of electricity is the
 9 electric utility. And Newfoundland Power has
 10 responded to changing customer requirements
 11 regarding energy efficiency in a wide variety
 12 of ways. One was is the Wrap Up For Savings
 13 Program. Under this program, which originated
 14 in 1992, the Company offers rebates to
 15 customers for insulating their homes. In 2005
 16 we reviewed the economics of that program and
 17 we decided to double the rebates. In 2004 we
 18 redesigned our electric bill. Providing
 19 customers with historic usage information was
 20 a key element of the bill redesign. The new
 21 bill shows historical consumption which
 22 customers tell us and told us through focus
 23 groups is a very valuable tool for them in
 24 managing their energy use. Historical usage
 25 information can also be viewed and downloaded

Page 57

1 MR. DELANEY:
 2 on our internet site, which has been expanded
 3 to provide customers with information and
 4 tools for the wise use of electricity. Any
 5 customer requiring information about
 6 conservation and energy efficiency will find a
 7 wide array of information on our website that
 8 is easy to view and print. As it became clear
 9 to us that customers were becoming
 10 increasingly interested in energy efficiency
 11 management gave considerable thought as to how
 12 to best position Newfoundland Power in terms
 13 of promotion and to be of the greatest value
 14 to our customers. There's a broad spectrum of
 15 options for the promotion of energy
 16 efficiency, from an information booth in a
 17 mall way up to television advertising aimed at
 18 influencing behaviours. I think we are all
 19 aware that there's a wide array of messaging
 20 in the media and in the daily news about
 21 conservation issues. After making our
 22 assessment management decided that the best
 23 positioning for Newfoundland Power in terms of
 24 promotion was a direct practical, I call it
 25 like in the trenches approach. The Company

Page 59

1 organizations. Newfoundland Power sends out
 2 2.7 million bills per year, so bill inserts
 3 are an excellent way to leverage our existing
 4 resources to promote energy efficiency at low
 5 cost. In 2007 all of our bill inserts have
 6 contained energy efficiency advice. The
 7 success of bill inserts is evident in our
 8 customer attitude survey on energy efficiency.
 9 For 2005 and 2006 the survey indicates
 10 Newfoundland Power bill inserts were the
 11 preferred source of information exceeding all
 12 other sources, even television. The Company's
 13 decision not to focus on television
 14 advertising at this point was influenced by
 15 the fact that there was a considerable amount
 16 of energy efficiency messaging from various
 17 sources already on television. As well, TV
 18 advertising is expensive.
 19 Q. Mr. Delaney, what will influence the direction
 20 of conservation messaging in the future?
 21 A. The future of energy efficiency promotion at
 22 Newfoundland Power will be highly influenced
 23 by two things. One is the outcome of the
 24 joint Conservation and Demand Management
 25 Potential Study we are currently participating

Page 58

1 has many direct interactions with customers
 2 and this direct approach best leverages
 3 Newfoundland Power's existing expertise and
 4 resources. This approach involved, first, the
 5 development of our Bright Ideas Campaign.
 6 This campaign is designed to give practical
 7 advice to customers who wish to take action to
 8 conserve. For example, the Under \$20 brochure
 9 provides 20 easy, cost-effective ways to save
 10 electricity for less than \$20. And the Bright
 11 Ideas Campaign gave us the tools to deliver
 12 the energy efficiency message directly to
 13 customers through trade shows, through
 14 seminars, through mall displays, those sort of
 15 things. In 2006 we took part in 18 trade
 16 shows and conferences and exposed our Bright
 17 Ideas booth to over 50,000 participants.
 18 Additionally, over 2000 people dropped by our
 19 mall displays throughout the province. We
 20 held in-store promotions for compact
 21 florescent lights. We were successful in
 22 getting free TV and radio advertising to
 23 promote energy efficiency and we also held
 24 energy conservation presentations for a number
 25 of community groups and industry

Page 60

1 in with Hydro. The results of that study are
 2 expected later in the year. The study will
 3 examine the cost effectiveness of further
 4 conservation and energy efficiency program
 5 alternatives. The second is the Company's
 6 participation in the Energy Conservation and
 7 Efficiency Partnership which was recently
 8 announced in the Provincial Government's
 9 Energy Plan. It is expected that this
 10 partnership will also deal with issues
 11 pertaining to the promotion of conservation
 12 and energy efficiency in the province. Mr.
 13 Chairman, to conclude on this point,
 14 Newfoundland Power has increased its emphasis
 15 on energy conservation messaging. We are
 16 doing far more than is reflected in the
 17 advertising cost figures that have been cited
 18 by the Consumer Advocate. Our decisions on
 19 the use of the various advertising media have
 20 been taken with a view to ensuring our
 21 messaging is effective both cost and impact.
 22 In addition to sharing participation in the
 23 CDM Potential Study, we are also coordinating
 24 with Hydro in energy conservation advertising
 25 with a view to ensuring that the message is

Page 61

1 MR. DELANEY:
 2 consistent and that the effort is cost
 3 effective. The Energy Conservation and
 4 Efficiency Partnership brings another
 5 significant partner to the table. In addition
 6 to its \$5 million funding contribution, the
 7 government is in a unique position to
 8 influence public attitudes and behaviour in
 9 the area of energy conservation. And together
 10 with the joint utility efforts to date, we
 11 believe this will build on the overall energy
 12 conservation initiatives already under way.
 13 Q. Mr. Delaney, does that conclude your
 14 testimony?
 15 A. Yes, it does.
 16 Q. Thank you, Mr. Chairman.
 17 CHAIRMAN:
 18 Q. Thank you, Mr. Kelly. Good morning, Mr.
 19 Johnson.
 20 MR. JOHNSON:
 21 Q. Good morning, Mr. Chairman. Mr. Delaney, I
 22 just want to start off with this issue that
 23 you've addressed last in your direct
 24 testimony, the conservation messaging. Would
 25 it be fair to say, you know, that there has

Page 63

1 Q. Okay. If we are indeed at historic highs in
 2 terms of the price of oil, would that indicate
 3 that at least on that indicator it's more
 4 important than ever?
 5 A. I feel it's very important right now to be
 6 engaged in energy conservation in this
 7 province, given where we are right now.
 8 Q. And you mentioned you had success in getting
 9 free TV and radio ads. What were you talking
 10 about there?
 11 A. We, in--we get opportunities to participate in
 12 the NTV Evening News. A good example was last
 13 week on October 15th with the launch of our
 14 Wrap Up For Savings Program and the double
 15 rebates at this time of year. We got an
 16 opportunity with Newfoundland and Labrador
 17 Hydro to get on the NTV News during the supper
 18 hour, during the peak time of the, you know,
 19 one of the peak times of viewing in
 20 Newfoundland in terms of TV, and to get our
 21 Wrap Up For Savings double rebates message out
 22 and we had a fairly long segment with
 23 Newfoundland and Labrador Hydro to explain to
 24 customers the benefits of the program and the
 25 benefits of insulation and those sort of

Page 62

1 never been a time where the importance of
 2 conservation was so acute, would that be a
 3 fair comment?
 4 A. I can say that right now customers are very
 5 interested in energy conservation. Clearly,
 6 clearly we're seeing a large increase in the
 7 number of customers that are calling us and
 8 wanting information. But whether it's the
 9 greatest of all time, I don't know.
 10 Q. Well, look at the current price dynamic, for
 11 instance, that was spoke about previously in
 12 terms of the marginal cost of power with
 13 Holyrood being on the margin all the time.
 14 You know, from that perspective has the need
 15 to conserve ever been as acute as it is now?
 16 A. I believe the need to conserve is important
 17 right now, but whether it's the, you know,
 18 it's any greater than it was in the past, I
 19 really can't comment, but it is great right
 20 now, the need to conserve.
 21 Q. Well, you know, let's just take, you know, the
 22 price of a barrel of oil. Has it ever been
 23 higher?
 24 A. I don't know the historic price of the barrels
 25 of oil.

Page 64

1 things. So we get those opportunities from
 2 time to time from NTV. As well, I think we
 3 have confirmation that we're also going to get
 4 on just before Christmas to promote LED
 5 Christmas lights on the NTV News.
 6 (10:30 A.M.)
 7 Q. And why is--why would the free advertising on
 8 TV and radio be so worthwhile in pursuing?
 9 A. It would be worthwhile because it's clearly,
 10 it's no cost and we get a broad, we get a good
 11 message out there through TV.
 12 Q. And would you expect that that would be more
 13 effective than, say, saying something about it
 14 in your bill insert, for instance?
 15 A. The only quantified information I've seen on
 16 that or evidence that I could see on that
 17 would be in our customer attitude surveys on
 18 energy efficiency. In both 2005 and 2006 we
 19 asked the customers, through our surveys, what
 20 was their preferred source of information, so
 21 we list, would you use this source of
 22 information, so we listed them all down, and
 23 it's in the evidence, I just don't know where
 24 it is right now, radio, newspapers, print ads,
 25 we listed them all down. And in both of those

Page 65

1 MR. DELANEY:
 2 surveys in 2005 and 2006 bill inserts were the
 3 top source of information that our customers
 4 would use. So based on that--and television
 5 was clearly No. 2. Based on that I think
 6 television is high, but I would--based on
 7 those survey results, I would say bill inserts
 8 are--were higher in both of those surveys.
 9 Q. And so you used that customer survey
 10 information, but what other expertise or
 11 insight was brought to bear on this management
 12 strategy to go by print ads and bill inserts
 13 and the odd time you could get a free
 14 appearance on television?
 15 A. As I explained in my direct, the management
 16 strategy was influenced by how best we could
 17 position ourselves in getting that message
 18 out. And one thing Newfoundland Power has at
 19 its disposal are all the technologies and
 20 processes we have today. Bill inserts a
 21 perfect example. We send all this information
 22 out, let's get the--and for a very, very small
 23 incremental cost, we can get a wide, a large
 24 splay of energy advice out there. We have a
 25 website that's visited 300 and some odd

Page 67

1 advertising. We're also, from a management
 2 strategy, we're not in this alone. Like,
 3 we're not the only ones. There's Newfoundland
 4 and Labrador Hydro. We've had a very close
 5 partnership with Newfoundland Hydro all
 6 through this. As a matter of fact, this week
 7 is Energy Efficiency Week and there is a
 8 considerable amount of radio advertising out
 9 there this week from Newfoundland Power and
 10 Newfoundland and Labrador Hydro. The
 11 Provincial Government is a part of this. And
 12 when you look at the horizon as to what's
 13 happening with the Conservation Potential
 14 Study coming down the road, with the energy,
 15 the partnership announced in the provincial
 16 plan, I think we're perfectly positioned right
 17 now to be a big part of this energy
 18 conservation messaging that will--that has
 19 unfolded and it will continue into the future.
 20 So I don't know if I rambled a bit then, but
 21 that's a little bit of the management strategy
 22 around getting the energy efficiency promotion
 23 message out there.
 24 Q. I appreciate what you've said, Mr. Delaney,
 25 but I just want to focus back on my question

Page 66

1 thousand times per year, another excellent way
 2 to leverage our existing resources,
 3 capabilities. We have a lot of people that
 4 are--have customer service expertise and are
 5 out there directly contacting, talking to
 6 customers every day. So using all of those
 7 advantages we have to best leverage and to
 8 best get out there with the message to
 9 customers was a key part of our management
 10 strategy. We looked at television. On the
 11 television today there is a lot of energy
 12 conservation messaging. It's in the news and
 13 the media. Television ads are very expensive.
 14 We have a safety ad and it runs three times a
 15 week on NTV and twice a week on CBC for nine
 16 months of the year. That costs us \$100,000,
 17 just that, you know, for that amount of air
 18 play. As well, developing a TV ad is another
 19 thing that the cost, well, it's considerable
 20 cost. The TV ad we have for safety, as you
 21 notice, is just, it's a bunch of pictures, you
 22 kind of pan across the pictures, still
 23 photography type of ad and that cost us about
 24 \$30,000 to put together. So we're talking
 25 about significant expenditures for television

Page 68

1 in terms of what advice or expertise was
 2 brought to bear on this issue. I mean, for
 3 instance, seems to me, and you can disagree
 4 with me if you want, but it seems to me that
 5 this is an acutely important issue in these
 6 days. I'm interested in knowing whether there
 7 was any professional marketing advice brought
 8 to bear on this decision, conscious decision
 9 not to pursue paid radio and advertising and
 10 be content with the current practice of
 11 Newfoundland Power as regards to energy
 12 conservation messaging?
 13 A. I'm not aware of any professional marketing
 14 advice that we got in terms of television ads
 15 for energy efficiency.
 16 Q. Wouldn't that be your first thought? I mean,
 17 these are people who are experts in how to
 18 reach customers and influence customers and
 19 generate demand for certain products and
 20 services in customers. Seems to me that that
 21 would be the logical first place to look.
 22 A. As a management we decided that we would not
 23 go down the television advertising route, so
 24 we didn't engage any expertise in television
 25 advertising from the commencement.

Page 69

1 MR. JOHNSON:
 2 Q. So once that decision was made, I guess quite
 3 obviously it was made regardless of the fact
 4 of what a marketing professional or agency
 5 might have been able to tell you about the
 6 effectiveness of that media?
 7 A. We would have, within the organization, well
 8 we knew approximately the cost in terms of TV
 9 advertising, what it cost us to run our safety
 10 ad. And we do within the organization have a
 11 number of people in our Customer Service
 12 Department, customer service specialists,
 13 various MBA type people that have significant
 14 marketing experience, significant marketing
 15 expertise, I would say, particularly people
 16 that were with us through the '90s and people
 17 that are out in front of the customers,
 18 dealing with the customers every day in terms
 19 of their energy efficiency. And so in house
 20 we do have a number of people that have energy
 21 efficiency and conservation expertise and we
 22 certainly rely on those people to give us
 23 advice on how to move ahead. But we did not
 24 engage a professional marketing team from
 25 outside the Company to look at television

Page 71

1 detailed in CA-NP-367, we needn't go there,
 2 but we're only talking 108,000 bucks, Mr.
 3 Delaney, and you're on three times a week on
 4 NTV, which if you listen to them they're the
 5 most watched newscast, and it gets you two
 6 times a week on CBC. I mean, I'm mystified,
 7 to be honest with you, why that would produce
 8 any type of sticker shock when you spend
 9 125,000 bucks or whatever it is, as I talked
 10 to Mr. Ludlow about it, on mugs and t-shirts.
 11 Now, maybe part of that is unregulated, but
 12 seems to me that in this day in age that is
 13 utterly unacceptable.
 14 A. Since you brought it up, I'll address the
 15 issue on the promotional items, mugs and t-
 16 shirts. Just to clarify on the promotional
 17 items, there's 125,000 in our test year for
 18 promotional items, of which 80 is non-reg. Of
 19 the 46 remaining--79 is non-reg, sorry. Of
 20 the \$46,000 remaining 10,000 of that is for
 21 some costs associated with the home shows and
 22 the trade shows that were a part of our energy
 23 conservation outreach initiative. And well,
 24 the remaining was 12,000 for Safety Week, 6000
 25 for our President's Safety Award and 18,000

Page 70

1 advertising for energy efficiency.
 2 Q. Did this internal people advise upper
 3 management not to proceed on radio and TV,
 4 based upon their experience and expertise?
 5 A. I can't say they told us not to, it's just
 6 management's assessment that the best use of
 7 our resources at this time, given how
 8 Newfoundland Power with all the numerous
 9 interactions we have with customers and what
 10 we call our out-reach program, that that was
 11 just where we, that was our pocket in the
 12 whole spectrum of how this energy efficiency
 13 message is unfolding in society today, which
 14 is clearly a big thing. Our pocket, our
 15 spectrum, the decision we made was to get in
 16 the trenches and deal one on one with
 17 customers. I guess it's part of our
 18 management philosophy, you know, we're
 19 responsive to customers' expectations and
 20 requirements. And that was the best pocket
 21 for us.
 22 Q. You won't often hear a Consumer Advocate, I
 23 don't suspect, asking a utility to spend more
 24 on something. And your comment with respect
 25 to television on the safety, which are

Page 72

1 for employee recognition, but a portion of
 2 that promotional item. So I just want to
 3 address that issue first. But the question
 4 about why we are not out on television -
 5 Q. It's the dollar amount. Is this a huge
 6 figure, 108 grand was spent for CBC and NTV
 7 for safety messaging?
 8 A. It's, well, it's \$100,000 is what it is. It's
 9 \$100,000 that television is a way of promoting
 10 the energy efficiency message. Newfoundland
 11 Power looked at our approach to energy
 12 efficiency. We gave it considerable thought.
 13 Customer calls were increasing 94 percent.
 14 And we decided the best strategy for us in the
 15 whole scheme of things was the strategy we
 16 took. And we find ourselves now well
 17 positioned in the community in terms of energy
 18 efficiency. We have reorganized our people
 19 around the energy efficiency messages and
 20 getting out to the customer. We decided not
 21 to go the television. For one thing, the
 22 \$100,000 is the amount that paid for to get
 23 the ad on TV. It's not the price to make the
 24 ad. And as we all know, in advertising, you
 25 know, the quality of the ad would say

Page 73

1 MR. DELANEY:
 2 something about people's reaction to it. So
 3 the ad of still photography with not many
 4 bells and whistles that we have for safety
 5 cost us 30,000 to make, so additional costs
 6 with respect to making the ad and then for me
 7 drawing the cost benefits associated with that
 8 is another area that's, that it was a bit
 9 uncertain.
 10 Q. You mentioned internet hits. Is the number
 11 300,000 hits a year?
 12 A. If you turn to page 34 of the evidence, the
 13 number is there. The Company website in 2006
 14 was visited 355,000 times. And so far this
 15 year, up to the end of September, we're up to
 16 290,000.
 17 Q. And what's your total number of customers?
 18 A. Total number of customers is 230,000.
 19 Q. In terms of your decision to make the, put the
 20 safety message on television, do you know what
 21 the viewership would be for NTV and CBC?
 22 A. I'm not aware of the viewership at this time.
 23 We can probably get it, but I don't know what
 24 it is.
 25 Q. You seem to put some great stock, Mr. Delaney,

Page 75

1 Q. And is it likely that customer outreach, based
 2 on what you know, will be a big component of
 3 the way forward?
 4 A. Absolutely. I think that Newfoundland Power
 5 will continue to be a major presence at trade
 6 shows, at seminars and those sort of things,
 7 outreaching to customers to get the message
 8 out and to provide them with advice and
 9 information on energy conservation.
 10 Q. Can I just touch on another area with you for
 11 a moment, that's on the incenting of eBills?
 12 I take it that, as you say, the number has--is
 13 up to around 15,000 customers who now receive
 14 their bills by e-mail?
 15 A. Yes, that's correct.
 16 Q. Okay. And I take it from the application that
 17 those customers who do that, I mean, that does
 18 involve a fairly significant saving of about
 19 \$7 a year, you know, on postage, paper, you
 20 know, handling, etcetera, would that be
 21 correct, per customer?
 22 A. Yes, that's correct.
 23 Q. And I take you would--we have--we might
 24 disagree about a lot of things here today, but
 25 one of them is that it's certainly clearly

Page 74

1 in this upcoming study into demand
 2 conservation and the like that, you know,
 3 really, you know, guys, let's hold off, we've
 4 really got to see that. Do you think that
 5 there's the remotest chance that the study
 6 would suggest that consumer education is not
 7 vitally important on the energy conservation
 8 issue?
 9 A. I'm not going to predict what the study is
 10 going to say. As well, Newfoundland Power
 11 cannot be considered to be holding off waiting
 12 for the energy conservation study. I think I
 13 clearly detailed, you know, a large number of
 14 initiatives that the Company has undertaken in
 15 the energy efficiency area. And I can't
 16 predict what the CDM Study will say. I'll say
 17 that there have been a number of drafts
 18 through both Newfoundland Power and
 19 Newfoundland and Labrador Hydro. There's a
 20 workshop planned, I think, for this week or
 21 maybe next where the consultants, Marbek, are
 22 going to interface with a number of commercial
 23 customers and builders and learn a few things
 24 from those focus groups and that we are
 25 expecting the final product later in the year.

Page 76

1 highly desirable behaviour to encourage in
 2 Newfoundland Power's customers from the point
 3 of view of the environment, cost, etcetera?
 4 A. Absolutely. We think eBills is a great thing,
 5 yeah.
 6 Q. Does Newfoundland Power have a goal in mind as
 7 to what sort of numbers or what sort of
 8 percentage of customers that they would like
 9 to see availing of this eBill option?
 10 A. Well, we'd like to get all of our customers on
 11 it, but I don't think that's going to be
 12 achievable. Where eBills and electronic mail
 13 is concerned, this is sort of leading edge. I
 14 don't know where the saturation point is in
 15 how far we're going to be able to push this
 16 eBills. E-mail is a complex management area,
 17 as well, because as you get customers on
 18 eBills people change their e-mail account,
 19 people's e-mail areas become full, some people
 20 have security on their internet site that
 21 block, they may block our eBill sent to them,
 22 so there are some complexities there, as well.
 23 But we would like to get as many customers as
 24 possible onto eBills, but I don't know where
 25 the saturation point will eventually find

Page 77

1 MR. DELANEY:
 2 itself.
 3 Q. If we could take up CA-NP-356? I take it what
 4 we're seeing here is the cost per payment
 5 transaction based on 2006 costs in
 6 transactions. Now certainly, I'll acknowledge
 7 that the fact that someone gets their bill by
 8 e-mail doesn't necessarily mean that they will
 9 pay by, you know, an automated manner.
 10 Although, it seems--do you have any experience
 11 as to whether there is much of a correlation
 12 between, you know, someone who is
 13 technologically comfortable enough to receive
 14 their bill by e-mail is more apt to use
 15 electronic payment or that type of process
 16 which would involve further savings?
 17 A. Maybe someone has done that correlation within
 18 the Company, but I don't recall it.
 19 Q. Now, I guess we're still sort of in the
 20 infancy of the take up of eBills within
 21 Newfoundland Power's customer base, still only
 22 six percent. Would--but I take it that the
 23 individual customer who presently opts for to
 24 receive their bill by e-mail, they don't
 25 receive any specific benefit for doing that at

Page 79

1 option.
 2 Q. But I would suggest that the poorer citizens,
 3 they don't have the same opportunity as me or
 4 you to pay our bills on time because they just
 5 don't have the money at the time that they
 6 need to get in under the option. You know, I
 7 would expect that there's a good few customers
 8 probably find themselves in that situation.
 9 Do you not agree that that's certainly a good
 10 possibility?
 11 A. There may very well be. I don't have any
 12 knowledge with regard to the payment ability
 13 of customers to make the discount date, I
 14 don't have that knowledge.
 15 Q. It just sort of struck me, as well, that the
 16 \$7 a month saving, just to sort of put it into
 17 some perspective, you know, lest someone
 18 thing, well, not--\$7 a year savings is not all
 19 that significant. It was interesting, I think
 20 you'd agree, that at Newfoundland Power's last
 21 General Rate Application the rate increase,
 22 actually, that you were requesting, the impact
 23 on customers who did not use heat, or
 24 electricity as a heat source in their home, I
 25 think the evidence from Newfoundland Power was

Page 78

1 this point in time? They receive no discount
 2 for doing it, obviously?
 3 A. No, they receive no financial discount, no.
 4 Q. Now, you raised the issue of the potential
 5 unfairness of people who are--have access to
 6 e-mail or are comfortable using e-mail getting
 7 some sort of discount relative to those who
 8 may not have a computer or e-mail account or
 9 whatever. And just, is that a concern? You
 10 know, I look at your other designated benefit
 11 programs whereby people who are in a monetary
 12 situation where they can pay their bills by
 13 early payment date, they get a break, while
 14 perhaps customers who are poorer and have--
 15 just going, make ends meet can't get it in
 16 there on time and they lose out on the
 17 discount. I mean, is it, in principle, is
 18 one, in principle, any more odious than the
 19 other?
 20 A. No, I think in principle they're very
 21 different. Everyone has the same opportunity
 22 to pay at the discount date. I won't get into
 23 people's financial situation to be able to do
 24 that. But clearly, if I don't have internet,
 25 I don't have internet. I can't avail of the

Page 80

1 that this was going to mean an increase of
 2 about 58 cents a month for those customers.
 3 Is that your understanding, as well, in terms
 4 of the last application?
 5 A. I think you're going to have to repeat that.
 6 Q. Okay, I'll just--I understand at the last
 7 General Rate Application the evidence from
 8 Newfoundland Power is that, look, if you
 9 accept our rate increase, for customers who
 10 don't heat with electricity, it's going to
 11 mean about a 58 cent a month increase to them.
 12 A. If I could just pull us back a bit. eBills
 13 were massive supporter vehicles within the
 14 Company. eBills reduce our cost.
 15 Participation is growing rapidly. When we did
 16 the RFI, there were 14,195 customers on
 17 eBills. It's 15,600 today. That's 1500 since
 18 we produced the paper. There are problems
 19 with eBills--there are problems with e-mail
 20 out there and we're conscious of that, how we
 21 manage, you know, this whole thing about e-
 22 mail being blocked, e-mails full, and there's
 23 starting to be come costs climb back into the
 24 organization to manage e-mail, some costs are
 25 starting to go there. We looked across the

Page 81

1 MR. DELANEY:
 2 country, we're the top. No one else has got
 3 more customers on eBills than we do, so we're
 4 doing something well in terms of our
 5 promotion. To get into financial incentives,
 6 okay, and to give rebates to customers, just
 7 think of the complexity with that. For one
 8 thing, we're going to have to go into our CSS
 9 system. It's a database modification in our
 10 CSS system. Our CSS system is 15 years old,
 11 it's proprietary technology, we have a few
 12 people at our shop and at X Wave that can
 13 handle this thing. We can't go in and make a
 14 single database change without spending
 15 \$50,000, period. And when we get into the
 16 complexities of how the various incentives can
 17 work and how we can track this with eBills and
 18 give them money back and all the trails would
 19 have to go along with that, then you're
 20 talking a fairly complex thing. So we look at
 21 eBills, we're promoting it all across the
 22 spectrum with what we can do. The best thing
 23 we do is when a customer calls in and our CARs
 24 are armed with the script, when the right, for
 25 the right customer, to get that customer on

Page 83

1 A. I'm just saying that to get into the financial
 2 incentive, the detail is about what I looked
 3 at. First of all, my IT people tell me you
 4 can't go anywhere near the database without
 5 spending \$50,000. That's just in testing,
 6 really, in the amount of testing you have to
 7 do to make sure everything works afterwards in
 8 our CSS system. So we look at, I'd like of
 9 look back and this and see where we are, the
 10 good ideas that are coming through our
 11 customer service group, they're growing the
 12 program rapidly. I look at what they're doing
 13 over there and whether we should put our
 14 efforts there and that's where I want to put
 15 my effort, not putting an effort in the way of
 16 offering rebates and then getting into all the
 17 complications of when do you give the rebate,
 18 do you give it up front to entice the
 19 customer, do you give it on the back end.
 20 There's \$7 in savings there that we have in
 21 the testimony with respect to a customer that
 22 paid by eBills. We are having some of that
 23 starting to claw back through e-mail
 24 management, some of those costs. I don't
 25 think they're going to be even material

Page 82

1 eBills, that is the best bang for the buck,
 2 okay. And as well, we look at customers with
 3 multiple accounts, you know, landlords, rental
 4 agencies, the government, getting all these
 5 people in eBills, like that's where our focus
 6 is. My focus is not to go into our 15 year
 7 old CSS system with a bunch of programmers to
 8 try to make all the changes in the code,
 9 there's two million lines of code in that CSS
 10 system, to make all the changes to offer the
 11 opportunity of financial incentives for
 12 eBills. That's basically where we are with
 13 eBills.
 14 Q. And don't get me wrong, I'm not--I haven't
 15 closed my eyes to the logistical circumstances
 16 and--but in terms of, I guess there hasn't
 17 really been a look at what would be involved
 18 in any detail in order to give an incentive to
 19 the very people who are creating the saving,
 20 you know, the people who are using eBill or
 21 creating the saving. But has it been looked
 22 at in any detail?
 23 A. In terms of giving a financial incentive?
 24 Q. Yeah.
 25 (11:00 A.M.)

Page 84

1 compared to the \$7 on a per customer basis.
 2 So we have all that going on. And it's just
 3 about like how much energy do we put in this
 4 and where do we put it, and it's not in going
 5 into the IT system and offering financial
 6 incentives right now. Customer comes on, goes
 7 off, comes on, goes off eBills and you got to
 8 track all that stuff. And then, you know,
 9 customers will call us and tell us that, look,
 10 I don't have the ability, the internet access,
 11 how come I can't get this. That will come up
 12 as an issue.
 13 Q. We're at the break time now, Mr. Chairman.
 14 Thank you.
 15 CHAIRMAN:
 16 Q. Thank you, very much, Mr. Johnson, Mr.
 17 Delaney. We'll reconvene at 11:30.
 18 (11:02 A.M.)
 19 (RECESS)
 20 (11:31 A.M.)
 21 CHAIRMAN:
 22 Q. Thank you. Ms. Newman, anything before start?
 23 MS. NEWMAN:
 24 Q. I haven't been advised of any preliminary
 25 matters, no.

Page 85

1 CHAIRMAN:
 2 Q. Are you ready, Mr. Delaney?
 3 A. Yeah.
 4 Q. When you're ready, Mr. Johnson.
 5 MR. JOHNSON:
 6 Q. Thank you, very much, Mr. Chairman. Mr.
 7 Delaney, what would you describe
 8 Newfoundland's core business function as
 9 being?
 10 A. Newfoundland's core business function would be
 11 providing reliable electric service to
 12 customers.
 13 Q. And I take it that part of the core business
 14 function would be distribution asset
 15 management?
 16 A. Yes, one of the things that we do is manage a
 17 distribution system that has a value of about
 18 \$700 million, book value.
 19 Q. And would part of your core business function,
 20 as well, be the provision of customer services
 21 such as metering, billing, DSM, energy
 22 efficiency, etcetera?
 23 A. Customers, sorry, could repeat all those
 24 again?
 25 Q. Would your core business function also include

Page 87

1 out there when improving reliability will
 2 reduce your cost. I think the way that we
 3 manage reliability with the focus on capital
 4 investment, maintenance, our operational
 5 deployment under the regulatory regime that we
 6 have where we come in here in a capital budget
 7 process and have all of our evidence,
 8 engineering studies, assessments reviewed and
 9 how we have established our maintenance
 10 practices based on industry practices, good
 11 sound engineering judgment and how we deployed
 12 our resources across the island, that entire
 13 package gets us to a point where we provide
 14 least cost reliable service to customers.
 15 Q. And how, I guess, how does that get reflected
 16 at the time that budgets are being prepared,
 17 say, an operating budget for a particular
 18 year, how is that balancing act brought to
 19 bear in that process?
 20 A. When we prepare our capital budgets, it's
 21 based on engineering assessments as to what
 22 needs to be done and put before the Board.
 23 Your question was capital?
 24 Q. Operating.
 25 A. Operating, operating budget. Our operating

Page 86

1 the provision of customer services such as
 2 metering, billing, DSM, energy efficiency?
 3 A. Yes.
 4 Q. And what do customers consistently rank as the
 5 most important attribute of service?
 6 A. The two items that are consistently ranked one
 7 and two, above all others, are reliability and
 8 price, in our customer satisfaction surveys.
 9 Q. And how long has it been like that?
 10 A. I know it's been like that from all of the
 11 customer satisfaction surveys that we've put
 12 on the record. I know that's true for
 13 certain. And I think, subject to check, it's
 14 probably been like that since we've been doing
 15 customer satisfaction surveys since 1998.
 16 Q. Now, as we know and you know, reliability has
 17 a cost. So how do you make the trade off
 18 between improved reliability and the
 19 associated increase in cost?
 20 A. I think you have to step back and look at how
 21 you manage reliability, which is, as I went
 22 through in my direct, has many aspects. I
 23 think in your statement you said that
 24 improving reliability cost, I don't think
 25 that's entirely true. There are situations

Page 88

1 budgets are built from the bottom up. Each
 2 department looks at its requirements for the
 3 coming year and in terms of labour, material.
 4 There's a reconciliation that happens between
 5 capital and operating. And so the operating
 6 budgets reflect a from the bottom up approach
 7 in terms of the whole organization, the
 8 requirement for our, well, to develop our
 9 overall operating cost. And reliability, just
 10 to get back to the reliability tie in to
 11 operating budgets, is our preventative
 12 maintenance program is, you know, we size what
 13 the preventative maintenance program is in a
 14 year and we have a fair amount of experience
 15 in that, so that requires labour, materials.
 16 So that's a major part of our operating budget
 17 in a year. And so those inputs in terms of
 18 what our maintenance practices are and what
 19 our maintenance program is for the year also
 20 goes into coming up with a budget cost,
 21 operating cost for the year.
 22 Q. Thank you, Mr. Delaney. Perhaps it would be
 23 useful at this juncture to turn up CA-NP-85?
 24 And I guess broadly speaking, is that what you
 25 were just describing as reflected in CA-NP-85?

Page 89

1 MR. DELANEY:
 2 A. Yeah, broadly speaking, that's where we are in
 3 terms of budget preparation, yeah.
 4 Q. And so I guess the budget starts getting
 5 developed from the bottom up, as you put it,
 6 and then there would be budget coordinators in
 7 each department, I take it?
 8 A. We don't have a budget coordinator position,
 9 but the regional manager or the manager of the
 10 department would be responsible for their
 11 responsibilities and their budget. Now he may
 12 assign that to an engineer to coordinate or
 13 any number of people that may have a specialty
 14 in developing a budget. But the
 15 responsibility for the product out of each
 16 department of the Company is the manager would
 17 be responsible for that.
 18 Q. Then at lines 28 to 30 it indicates that
 19 "Departmental budgets are reconciled to both
 20 labour forces and capital projects on a
 21 corporate-wide basis. This process typically
 22 results in some transfers of staff between
 23 departments to meet various priorities." And
 24 just give us an example of some transfers of
 25 staff to meet priorities in that when the

Page 91

1 the introduction of the Great Plains financial
 2 system, which has enabled us to have better
 3 information. It's a better system than we had
 4 in the past, so there has been some
 5 improvements along the way, but conceptually
 6 it's about the same from year to year.
 7 Q. And so when would the budget process get under
 8 way?
 9 A. For developing 2008's, I think I'll have to
 10 check as to when this, the date when this
 11 budget would be completed in a year. Capital
 12 budgets, I can give you roughly, capital
 13 budgets kind of start in about in the spring
 14 of the year to get ready for a filing around
 15 summer with the Board, so the operating budget
 16 goes sort of hand in hand with that through
 17 the spring, summer, but I don't know the exact
 18 dates.
 19 Q. Now, when you're setting out to develop this
 20 budget from the bottom up, is there any
 21 initial management direction provided to those
 22 who are at the bottom in developing this
 23 budget upwards?
 24 A. I think there's clearly a management ethic at
 25 Newfoundland Power which is, it shows in the

Page 90

1 department budget is being reconciled?
 2 A. Just trying to think of a real good example.
 3 We may--well, a good example would be next
 4 year where our distribution reliability
 5 initiative next year has three feeders that
 6 are all in Central Newfoundland, Botwood, 01
 7 feeder, Lewisporte, 02 and Glovertown are in
 8 the same sort of geographical area. So, the
 9 resources to do those projects don't reside in
 10 Grand Falls and Gander. There's eight linemen
 11 in Grand Falls and about the same number in
 12 Gander. So we'll have to transfer line
 13 resources and technologists and perhaps an
 14 engineer from Corner Brook, St. John's,
 15 Clarenville, other areas to work in Central
 16 Newfoundland for, I guess, a large portion of
 17 2008.
 18 Q. And does--at the beginning of--and I take it
 19 what's explained on CA-NP-85, this would apply
 20 to the budget process, not only for a test
 21 year, but for intervening years, that's
 22 correct, I take it?
 23 A. Yes, our budget process is consistent from
 24 year to year. We have improved the process,
 25 has changed somewhat in the recent past with

Page 92

1 evidence that we take costs seriously and
 2 managers of the Company are very much attuned
 3 to that, while they're responsible for a lot
 4 of managing of costs and they know that we're
 5 a company that takes costs seriously. And any
 6 increase in cost is something that we look at
 7 ways of--we have a bias towards cost control
 8 and keeping our costs down.
 9 Q. And I appreciate that, Mr. Delaney, but I was
 10 wondering if there was any, outside of this,
 11 how would I put it, tendency, if you will,
 12 that you've described, is there any direction
 13 that's expressed, provided by upper management
 14 in the early stages of the budgetary process
 15 in terms of, look, you know, there needs to be
 16 constraint, here are the priorities, etcetera,
 17 some direction from the top before the budget
 18 process gets under way?
 19 (11:45 A.M.)
 20 A. Other than the tendency to control our cost
 21 and to keep our cost in line in terms of the
 22 budget dollars themselves, the budget process
 23 itself forms for us--informs our decision as
 24 to what the priorities are and what's out
 25 there that each manager is seeing so that we

Page 93

1 MR. DELANEY:
 2 can all kind of get together as to what all of
 3 our priorities are and bring this process
 4 through. At the outset it's very much a
 5 bottom up approach.
 6 Q. And those priorities are obviously set by
 7 upper management for the Corporation?
 8 A. Which priorities are you speaking of?
 9 Q. The priorities that you spoke of that bear
 10 upon the initial budget development.
 11 A. I wouldn't say--well, upper management being
 12 the executive and the management of the
 13 Company, yes, we have a sense of the
 14 priorities for the coming year.
 15 Q. And those priorities would be known and
 16 communicated to those preparing budgets?
 17 A. Through our quarterly management meetings
 18 where all senior management of the Company
 19 gets together we kind of have a, it's not
 20 formally communicated, but through those
 21 meetings in terms of discussions of our
 22 priorities for the coming year, that would be
 23 as a group we would pretty well be on the same
 24 page as to what the priorities are.
 25 Q. And at lines 32 and 33 of CA-NP-85 it states,

Page 95

1 reliability is brought into this capital--into
 2 this operating budget. And another one would
 3 be clearly vegetation management.
 4 Q. And in terms of balancing the priorities and
 5 emphasizing the corporate priorities in this
 6 process in terms of looking at the initial or
 7 developing of the budget, I take it that might
 8 involve some transfer of staff, as you've
 9 described, between the departments to meet the
 10 priorities?
 11 A. Yes, it would, yes.
 12 Q. And I take it that goal is to achieve all of
 13 your objectives, including reliability and any
 14 other goals within budget?
 15 A. Yes, our goals when we set objectives are to
 16 achieve that.
 17 Q. Now, if we could turn to CA-NP-47? Do you
 18 have that, Mr. Delaney?
 19 A. Yes, I do.
 20 Q. CA-NP-47 shows a figure for total labour in
 21 2007 of \$28,200,000, correct?
 22 A. Yes, it does.
 23 Q. Okay, and which is--and then there's an
 24 increase column which shows an increase by a
 25 little over a million dollars reflecting

Page 94

1 "Departmental forecasts are consolidated into
 2 a corporate forecast and then reviewed and
 3 approved by the executive." And that happens
 4 yearly, obviously?
 5 A. That's correct.
 6 Q. Okay. And if we could turn up CA-NP-361?
 7 And, Chris, if you could just go to the
 8 attachment, page 2 of 2, actually? I take it
 9 that from combined reading of CA-NP-85 and
 10 looking at CA-NP-361, that that column that's
 11 called "Initial Forecast", that that is really
 12 the what's termed as the corporate forecast in
 13 CA-NP-85 that then gets reviewed by the
 14 executive team?
 15 A. Yes, that would be the first cut of the
 16 forecast, yeah.
 17 Q. Now, in developing that initial forecast how
 18 is the reliability goals of the Company taken
 19 into account along with the other corporate
 20 priorities that are out there?
 21 A. If we look at, a good example would be the
 22 plant substation system operations buildings
 23 line. That is a breakdown which captures all
 24 the non-labour expenses associated with our
 25 maintenance program. So that would be a way

Page 96

1 global bargaining unit and management pay
 2 increases, correct?
 3 A. Correct.
 4 Q. Therefore, the resulting figure when you sum
 5 those, the twenty-eight, two and the little
 6 over a million provides a resulting figure of
 7 \$29,202,000, is that correct, representing the
 8 total labour cost in 2008?
 9 A. That's correct.
 10 Q. For an unchanged staff level?
 11 A. I think that's correct, yeah.
 12 Q. Okay. You then show a global productivity
 13 improvement of \$531,000?
 14 A. Yes.
 15 Q. And that's the difference between the adjusted
 16 2007 figure and the 2008 forecast?
 17 A. That's the--could you repeat that again?
 18 Q. The global productivity improvement figure of
 19 \$531,000.
 20 A. Yeah.
 21 Q. That is the difference between the adjusted
 22 2007 figure and the 2008 forecast?
 23 A. It would be twenty-eight, two hundred, plus 1
 24 million, 200, minus 531,000 equals 28 million,
 25 671,000 dollars.

Page 97

1 MR. JOHNSON:
 2 Q. Now, is this, is this productivity achieved
 3 through staff or FTE reductions?
 4 A. I'm uncertain right now how we're going to
 5 achieve this productivity improvement.
 6 Q. Just turn back to CA-NP-361? And I note that
 7 the initial forecast for total labour is
 8 29,251,000?
 9 A. Yes.
 10 Q. And if you just keep out 47 in front of you
 11 for a moment, I note that that is close to but
 12 slightly higher than the adjusted 2007 figure
 13 on CA-NP-47?
 14 A. Yes, it is a different figure, yeah.
 15 Q. Okay. And does this difference arise because
 16 of the fact that the initial forecast in CA-
 17 NP-361 is the result of the grassroots
 18 forecasting methodology whereas the figure in
 19 CA-NP-47 is the result of a less precise
 20 global adjustment?
 21 A. If you're asking me to explain the difference
 22 between the--of \$47,000 between 29,251,000 and
 23 28,200,000, I just don't know why they're
 24 different at this point. Although, I know the
 25 initial forecast, that was a working number as

Page 99

1 different, the numbers are different because
 2 the way 47 is calculated is different than
 3 361, the initial assumptions.
 4 Q. Because I see -
 5 A. In 2007--I guess probably clarify it a little
 6 bit more. What I'm looking at in 47 is our
 7 forecast of labour in 2007. And we make the
 8 assumption based on our management expected
 9 increase of three percent and a union increase
 10 of four percent, we come up with one million
 11 and two thousand dollars when we look at the
 12 split of management, union within those
 13 numbers. That's the one million, two is
 14 related to our 2007 forecast multiplied by
 15 those, that's the assumption, and then we took
 16 530,000 off of that realizing we're coming in
 17 here for a test year, we're not a cost plus
 18 organization and we arrived at our final
 19 forecast. What I'm looking at in 361 is an
 20 initial budget in our whole budget process,
 21 the first cut, which we all know is not the
 22 final cut, and the change between the first
 23 cut and the final cut of the budget. But the
 24 final cut of the budget is the same in both of
 25 these RFIS.

Page 98

1 we were going through this--the forecast is a
 2 many-iteration process, as anyone who has been
 3 involved in budgeting knows. You just don't
 4 have one number and then there's another
 5 number. There are massive numbers of
 6 interactions an iterations that go on. So
 7 this was a point in time of first initial
 8 forecast that I'm seeing in 361 and at
 9 approved forecast after a lot of iterations is
 10 the number that we see there in 361. I can't
 11 account for the \$47,000 difference on
 12 29,251,000.
 13 Q. I guess in any event, would it be fair of me
 14 to say that the change from the initial
 15 forecast of twenty-nine, two-fifty-one to the
 16 approved forecast of, as shown on 361 of
 17 twenty-eight, six-seventy-one represents
 18 productivity improvement comparable to the
 19 productivity improvement that's reflected in
 20 CA-NP-47?
 21 A. What I'm looking at in 361 was a number that
 22 was the first cut of a budget process in
 23 Newfoundland Power, the initial forecast. I'm
 24 looking at the approved forecast, which is
 25 identical to in 47 and 361, and there are

Page 100

1 Q. I guess, because I note from the initial
 2 forecast to the approved forecast for total
 3 labour there's a \$580,000 deduction. And I'm
 4 just wondering, is not that the more accurate
 5 reflection of the productivity factor, not
 6 the, was it the 531 but the 580 that's been
 7 embedded?
 8 A. They're both a reflection and they're both in
 9 similar, similar area of cost, 531 and 580.
 10 They both have--reflect a productivity
 11 improvement.
 12 Q. And it is the standard forecasting process
 13 that's described in CA-NP-85, is it standard
 14 forecasting process to have an initial
 15 forecast that is in effect the pre-
 16 productivity forecast which is approved by the
 17 executive to result in the with productivity
 18 approved forecast?
 19 A. You're going to have to repeat that again for
 20 me.
 21 (12:00 P.M.)
 22 Q. Is it usual to have your initial forecast be
 23 really the pre-productivity forecast which
 24 then gets adjusted by the executive to result
 25 in the forecast which has the productivity

Page 101

1 MR. JOHNSON:
 2 built in?
 3 A. Is it usual? I think that going into a test
 4 year we're not going to have a usual forecast
 5 because we know we're going into the test
 6 year, we know we're going before the Board, so
 7 we're very conscious about the, our cost and
 8 being a company that, like I say, is not cost
 9 plus, that has, you know, good intention on
 10 the cost and that's where we came up with the
 11 \$530,000 productivity improvement. In any
 12 year that we would do a budget between test
 13 years, we would take the same discipline in
 14 terms of making sure that our costs were in
 15 line with the ethos of our management, which
 16 is clearly evidenced in this record that we've
 17 had outstanding performance in operating cost
 18 and it's a hard won outstanding performance in
 19 operating cost. So that's part of our ethos
 20 in managing this whole operating cost budget
 21 is to keep the cost down.
 22 Q. So in looking at what we see in 361, the
 23 difference between initial and approved,
 24 obviously the executive put their influence on
 25 the initial forecast and the productivity came

Page 103

1 said, no, it's going to be \$580,000 less than
 2 the first cut, correct?
 3 A. No, that's not correct. No, it's a
 4 collaborative effort amongst the management
 5 group of this Company to get our costs down,
 6 get that productivity improvement in there.
 7 Q. Well, Mr. Delaney, the first cut was reviewed
 8 and approved by the executive, correct?
 9 A. The approved forecast was approved by the
 10 executive.
 11 Q. The first cut, the initial forecast, it was
 12 reviewed and then it was amended, and then it
 13 was approved by the executive group. That's
 14 what we see in 361.
 15 A. The final approved number by the executive is
 16 the final approved forecast. The initial
 17 forecast can be considered to be the working
 18 document before the approved forecast.
 19 There's only one approved forecast. There's
 20 not two approved forecasts.
 21 Q. In that final review and approval by the
 22 executive, there was no managers sitting
 23 around the table. There were executives
 24 sitting around the table, the leadership team
 25 of Newfoundland Power?

Page 102

1 from the executive decision?
 2 A. No. The productivity comes from -
 3 Q. The reflection -
 4 A. - the management group, including senior
 5 management. Senior management come in with a
 6 first cut. Now, you come in with your first
 7 cut, now we're working together to get these
 8 costs down, we're looking at each other's
 9 priorities, looking at things there. I can't
 10 say that it's a directive of the executive
 11 that the costs shall be thus. We got to do
 12 what's reasonable. If my customer service
 13 manager comes to me and says, you know, we got
 14 these various things going on in energy
 15 efficiency, we got to put resources in here,
 16 we're just not going to cut, cut costs like
 17 that, we got to manage all the priorities. So
 18 it's not a directive from the executive that
 19 this the way it is. It's a management team
 20 working together to get these costs down as
 21 far as we can.
 22 Q. But the fact remains that until the executive
 23 reviewed the first cut, the productivity was
 24 not--the productivity came from the review and
 25 exertion of influence by the executive who

Page 104

1 A. I don't think sitting around a table is very
 2 characteristic. That was the number at the
 3 end of the day that we were going to go into
 4 the test year with, yeah.
 5 Q. Well, whether they were sitting around a
 6 table, that was the locus of the decision
 7 making power, the executive?
 8 A. Yes, the executive are responsible ultimately
 9 for the operating costs of the Company, so
 10 they approve it.
 11 Q. Now as we've heard and it's not in dispute,
 12 Newfoundland Power does not have a
 13 distribution reliability policy, right?
 14 A. We don't have a formal policy.
 15 Q. As you've indicated in your pre-filed
 16 evidence, the application and on the cross-
 17 examination, the importance of the reliability
 18 to consumers has been consistent and long
 19 standing as being the number one priority,
 20 followed closely by costs, correct?
 21 A. Yes, that's true.
 22 Q. And reliability is also core to carrying out
 23 your core business function of managing
 24 distribution assets and providing these
 25 services to customers, correct?

Page 105

1 MR. DELANEY:
 2 A. Reliability, yes, is a core business function.
 3 Q. Why not, given the demonstrated, admitted,
 4 acknowledged importance of reliability to your
 5 customers, would you not have a distribution
 6 reliability policy?
 7 A. I explained a lot of this in my direct. We
 8 clearly have a management approach to
 9 reliability. Reliability is a huge issue. It
 10 is a core issue in this Company, and I
 11 explained clearly how we manage reliability,
 12 in detail, through capital investment, through
 13 maintenance, through deploying our resources.
 14 That is a comprehensive way of looking at
 15 reliability based on review by the Board,
 16 based on industry practices, and the way we're
 17 organized as a company in terms of our
 18 deployment across our service territory. I'm
 19 not sure what a reliability policy would look
 20 like different than that. That is our--that's
 21 the way we manage reliability in the Company,
 22 very thorough. It is an absolutely essential
 23 thing for Newfoundland Power.
 24 Q. And I guess you receive concerns from
 25 customers on an individual basis. Mr. Ludlow

Page 107

1 complaints?
 2 A. Newfoundland Power does not track customer
 3 complaints. We do track some items like high
 4 bill inquiries, damage claims, any billing
 5 adjustments that we might have to do. I know
 6 that the Board used--well, the Board probably
 7 still does track complaints from customers,
 8 what I would call an escalated complaint, and
 9 the last report that I saw from the Board was
 10 in 2000, mid 2000, and in the 12 months, there
 11 was a report for the last 12 months up to mid
 12 2000, there had been 15 complaints over that
 13 12-month period. I think the Board stopped
 14 sending us the reports after that. Most of
 15 those complaints were associated with credit
 16 issues.
 17 Q. And I think for the state of the record, you
 18 are referencing the billing adjustment
 19 complaints, the damage claims and high bill
 20 inquiries, that is detailed in CA-NP-82, and -
 21 A. Yes, they're some of the more sensitive calls
 22 that we do receive. I wouldn't characterize
 23 them as complaints, but they are -
 24 Q. Sensitive customer interactions, when I read
 25 it.

Page 106

1 referred to, you know, contacts with customers
 2 over reliability. You have 230,000 customers.
 3 How do you go about ensuring consistency in
 4 treatment amongst your 230,000 customers?
 5 A. One way that I can ensure that customers are
 6 consistently treated is that I can go to a
 7 customer in Twillingate or a customer anywhere
 8 in rural Newfoundland and say "the
 9 distribution line in your community, the
 10 substation in your community, the assets
 11 serving your community, I inspect and I
 12 maintain those and I apply the same
 13 engineering judgment to those assets that I
 14 apply to all assets, assets in St. John's or
 15 Corner Brook or any urban area." I can tell
 16 customers in Newfoundland Power that I manage
 17 reliability consistently across this province.
 18 Q. And according to what policy are you acting
 19 when you can give customers that assurance as
 20 you've detailed it?
 21 A. As I mentioned, we don't have a reliability
 22 policy, so to speak policy, but we do have an
 23 approach to managing reliability that is
 24 consistent across this province.
 25 Q. And does Newfoundland Power track customer

Page 108

1 A. Yeah.
 2 Q. And that's fine, and they've been tracked
 3 since 2006?
 4 A. If we could put it up on the screen? You'll
 5 see in Table 1 that we tracked high bill
 6 inquiries. All the calls that come into our
 7 call centre have a code attached to them, and
 8 actually, while we're on the issue of
 9 complaints, I just want to colour it with one
 10 aspect, our view on complaints. You will see,
 11 and I think it was brought up in Mr. Ludlow's
 12 testimony yesterday about first call
 13 resolution. We're very focused on first call
 14 resolution. One thing that we've found
 15 through our customer satisfaction surveys over
 16 a long time is that if we're able to answer
 17 the customer's inquiry on that first call, it
 18 leads to high satisfaction. If we can't get
 19 that inquiry done on the first call, then it
 20 comes back to a much lower satisfaction. Our
 21 customers rate us in the sixes and sevens,
 22 that's the kind of rating we get out of ten.
 23 So we've been putting a lot of emphasis on
 24 first call resolution as a proactive measure
 25 against complaints, if you will, and one of

Page 109

1 MR. DELANEY:
 2 the things we do is that, like I previously
 3 alluded to, every call that comes into the
 4 call centre has a code attached to it, and
 5 what we're doing now is if a customer calls in
 6 with 45 days, we have a record of that call
 7 and that call is automatically routed to the
 8 same call centre agent, and it's amazing, call
 9 centre agents remember calls. They take
 10 numerous number of calls, but they do remember
 11 calls and by routing it back to the call
 12 centre agent, first of all, that call centre
 13 agent is more apprised of the situation and
 14 we're getting the feedback loop with our
 15 customer people and training our employees and
 16 really focusing on getting that first call
 17 dealt with. That'll be a great way to pro-
 18 actively improve customer service. Big
 19 industry push as well, you know, first call
 20 resolution, putting the focus there.
 21 (12:15 A.M.)
 22 Q. But in terms of these sensitive--besides these
 23 sensitive customer interactions having to do
 24 with billing adjustments and damage claims and
 25 high bill inquiries, I take it there could be

Page 111

1 front and, you know, what your number was,
 2 what it was last month, when your bill would
 3 be read next, and those things to approach
 4 meter reading accuracy. It was one of our
 5 focuses in 2004 with the bill design.
 6 Q. In your direct testimony, Mr. Delaney, and in
 7 your Company's response to CA-NP-65, I
 8 certainly took from your direct that really
 9 the only real difference between Newfoundland
 10 Power's current reporting and the Delaware
 11 standard is the benchmark issue.
 12 A. No. No, that's not what I said. What I did
 13 say was there were differences in the
 14 performance benchmarks and in the outage
 15 management systems of both utilities.
 16 Q. Okay, that's fine. So other than the outage
 17 management system, the only difference is the
 18 use of benchmarks?
 19 A. And some other small differences as well.
 20 Q. But those -
 21 A. The big two are benchmarks and outage
 22 management system.
 23 Q. The other differences are not material?
 24 A. They're reasonably similar.
 25 Q. Now you were here for Mr. Ludlow's testimony

Page 110

1 other complaints that might not fit those
 2 categories which are not tracked? I take it
 3 that's an obvious statement.
 4 A. Yes, there could be other complaints as well.
 5 Q. Okay, and how many customers, in terms of your
 6 quarterly customer survey, do you survey each
 7 quarter?
 8 A. We survey 800, a little over 800 residential
 9 customers and a little over 400 commercial
 10 customers every quarter.
 11 Q. And does the survey ensure that customers who
 12 have lodged complaints are part of the survey
 13 sample?
 14 A. Whenever we get a very low rating from a
 15 customer, customer rates us zero out of ten or
 16 one out of ten, that sort of thing, we'll
 17 always ask the reason for that. There may be
 18 some physical analysis done on that but the
 19 main reason that we get zero or get a low
 20 rating, the biggest pop I see there is meter
 21 reading accuracy. People having issue with
 22 meter reading accuracy. So when we redesigned
 23 the bill in 2004, that was another thing that
 24 we really put a lot of emphasis on was showing
 25 the meter reading on the bill up clearly in

Page 112

1 yesterday?
 2 A. Yes, I was.
 3 Q. And I guess it gave you a heads up of what was
 4 likely to come your way, but I took from Mr.
 5 Ludlow that Newfoundland Power already has
 6 internal benchmarks for various customer
 7 services, do they not?
 8 A. Newfoundland Power monitors various metrics of
 9 customer service and reliability and we set
 10 for ourselves targets to achieve those.
 11 Q. Okay. Targets, benchmarks, I think we're--not
 12 to get caught up in the terminology, but I
 13 think we're on the same page, are we not?
 14 A. As an engineer, I think of a benchmark a
 15 little bit differently, I think. I think of a
 16 benchmark as something that's important when
 17 you can compare yourself to peers, in terms of
 18 what your peers are doing. That's just, I
 19 guess, coming at it from an engineering point
 20 of view, but we'll agree that there's certain
 21 terminology that could be interchangeable.
 22 Q. Okay, and I take it that--because there was
 23 some discussion as to the metricies, but am I
 24 correct in understanding that these internal
 25 targets, benchmarks, that these are in the

Page 113

1 MR. JOHNSON:
 2 annual plan figures included in your quarterly
 3 reports to the Board? There's a big RFI
 4 containing these quarterly reports contained
 5 at CA-NP-8. Is that where these internal
 6 targets or benchmarks are to be contained?
 7 A. Yes, the terminology we would use as a target
 8 in the quarterly reports, we refer to that as
 9 our plan number.
 10 Q. And these quarterly reports to the Board of
 11 Commissioners, do these contain all of
 12 Newfoundland Power's internal targets or
 13 metrics?
 14 A. They would contain the, I would guess, the
 15 corporate company metrics that we manage to as
 16 a company. Within individual departments,
 17 there are other metrics that individual
 18 managers would use to manage their own
 19 department.
 20 Q. Which are not necessarily included in the
 21 quarterly?
 22 A. Which may not be included in the quarterly,
 23 yes, correct.
 24 Q. Can you undertake, sir, to provide us with the
 25 targets that are not--or how your targets are

Page 115

1 KELLY, Q.C.:
 2 Q. It's a very open-ended request, Mr. Chairman,
 3 and I think we'd like to have a lot more
 4 specificity as to exactly what we're being
 5 asked to do. The witness is here and maybe
 6 Mr. Johnson can explore the question further
 7 and if there are specific undertakings that
 8 the Company needs to respond to, like any
 9 undertaking, we're happy to respond to
 10 reasonable requests, but that's rather
 11 unfocused, if I might say.
 12 MR. JOHNSON:
 13 Q. Okay. Sorry, Mr. Kelly. In terms of these
 14 other internal targets that are part of the
 15 plan, tell us what they are and how were they
 16 developed.
 17 A. Okay, one example would be our manager of
 18 engineering has to maintain--now under our
 19 maintenance program, has to maintain X number
 20 or reclosers, voltage regulators, pieces of
 21 equipment through the year. So he would have
 22 a target for what he wants to get done and
 23 compare himself against the target.
 24 We would have, in some locations, through
 25 thermal scan surveys or other things, we would

Page 114

1 determined, whether they be in the plan as is
 2 referenced in the quarterly reports or they
 3 exist elsewhere in the Company that don't make
 4 it themselves into the plan?
 5 KELLY, Q.C.:
 6 Q. Not quite sure I follow the question, so
 7 before we start thinking about undertakings,
 8 I'd like to know exactly what's being asked.
 9 The witness is here. If there's questions
 10 about how we do it, the witness is here to be
 11 asked how we do it.
 12 MR. JOHNSON:
 13 Q. Well, for instance, I found--maybe this will
 14 be illustrative. The undertaking that Mr.
 15 Ludlow provided, Undertaking 2, where he
 16 provided the explanation of how the '07 SAIFI
 17 target was derived and he indicated that it
 18 was derived as--provides that that answer took
 19 an historical average and then made a five
 20 percent improvement factor to it, and what I'm
 21 seeking an undertaking is the same type of
 22 response with respect to your other internal
 23 targets, whether they be in the plan that's
 24 filed with the Board or elsewhere within the
 25 Company.

Page 116

1 have the number of services we need to replace
 2 and the manager there may track that, in terms
 3 of how many replacement services that he wants
 4 to get that year. A lot of these targets are
 5 very much into the maintenance mode of the
 6 Company, maintaining things.
 7 Q. Let me then bring a little more focus to the
 8 inquiry. How are your customer service
 9 targets developed?
 10 A. One customer service target, and its a key one
 11 and it was discussed here yesterday, is
 12 answering 80 percent of the calls within 40
 13 seconds. It's a target that we've had. We
 14 haven't changed it. It's been consistent for
 15 many years, going back to the late 90s when we
 16 brought in our Aspect call centre technology,
 17 in about '98. I would guess that's about the
 18 year. So that's a target that's 80/40. We
 19 develop it. At the time when we first set it
 20 up, it was about looking at what others do,
 21 what's an appropriate target, and of course,
 22 we were installing a call centre technology at
 23 the time through Aspect, which is a company
 24 down in the United States and they were giving
 25 us some advice in that as well. So we set the

Page 117

1 MR. DELANEY:
 2 80/40 target and then every quarter, we're
 3 talking to our customers through the survey,
 4 and one thing we're always asking them is
 5 "what's the call centre service like?" and
 6 it's been consistently ranked high, up in the
 7 nines, and nine and ten. So we think we've
 8 gotten that balance.
 9 Now how do we manage to 80/40? How do we
 10 get there? We have a program in our call
 11 centre call eWorkforce and we look at the
 12 historical number of calls we get for every
 13 day of the year. We got a big database as to
 14 how many calls you can expect on every day of
 15 the year and we've negotiated with our union
 16 different flexible working arrangements. So
 17 we have some four-hour shifts, some eight-hour
 18 shifts. We have staggered time, so we match
 19 our resources, our people, with those expected
 20 call volumes and bring it all together and
 21 achieve that target, that 80/40 target.
 22 If we were to move to 80/20, I don't
 23 think it's possible for us. Our call centre
 24 is a 20-seat operation and from what I know of
 25 call centre technology, to get to an 80/20

Page 119

1 It's essential that we have a safety target.
 2 To me, when we put a safety target on, it
 3 means that you're going to have some
 4 accidents. We don't like to tolerate the fact
 5 that we'll have any accidents in our
 6 organization. But it's necessary for us, as a
 7 Company, to stay focused that one of top
 8 targets be safety. We look at the historical
 9 performance and we always build an improvement
 10 factor in. I'm not sure if it's ten percent
 11 or five percent right now, but the safety
 12 target that you would see in 2008 would be an
 13 improvement on what we've done over the
 14 average of the last three years.
 15 (12:30 P.M.)
 16 Q. And how about SAIDI?
 17 A. SAIDI?
 18 Q. Yes, sir.
 19 A. The SAIDI target that we have for this year is
 20 not a corporate target. We're focusing on
 21 SAIFI this year, part of the flexibility of
 22 management. We have a target for SAIDI that's
 23 based on the average of the last three years.
 24 We haven't built an improvement factor into
 25 SAIDI, and some of our thinking there is

Page 118

1 type of--80 percent of the calls answered in
 2 20 seconds, you need a huge call centre where
 3 you can balance off different companies and,
 4 you know, a call centre that would contract
 5 out services and be able to be much more
 6 flexible to the client's need.
 7 But 80/40 is where we are. Customer
 8 satisfaction tells us we're in the right
 9 place. That's how we set that target.
 10 Q. And how about other customer service targets
 11 that you have?
 12 A. Are there any in particular you would like to
 13 -
 14 Q. Take--well, we'll look at your safety target
 15 for instance.
 16 A. Safety?
 17 Q. Yes.
 18 A. Safety targets is one, I'll say that we always
 19 have--anyway, we look at the previous year's
 20 performance with safety and we always build an
 21 improvement factor into our safety--safety
 22 meaning the injury frequency rate?
 23 Q. Sure.
 24 A. Okay. We'll always build an improvement
 25 target into our safety target for the year.

Page 120

1 influenced by looking at the Canadian--Earl
 2 mentioned it yesterday, looking at the
 3 Canadian Electrical Association averages. Now
 4 we know there's all kinds of devil in the
 5 detail when we compare ourselves to a
 6 benchmark on CEA. A lot of utilities report
 7 differently, report their outages differently.
 8 A lot of utilities have different outage
 9 management systems. But coming out of the CEA
 10 average for Canadian utilities, region two
 11 utilities, which are urban rural split
 12 utilities, our SAIDI is at about the national
 13 average. So that informs our thinking as to
 14 where we are in terms of SAIDI and so we
 15 established a target for ourselves this year
 16 of maintaining where we are, in terms of the
 17 duration index, and that hits a reasonable
 18 balance. But on the SAIFI side, the number of
 19 outages we had were still clearly above the
 20 Canadian average.
 21 Q. How about meter reading?
 22 A. Can you show me in the RFI where there's a
 23 meter reading target?
 24 Q. Is there one? Do you have an internal target?
 25 A. Yes, we established a target for missed meter

Page 121

1 MR. DELANEY:
 2 reads. I'm not sure what the number is right
 3 now. Missed meter reads are very much a
 4 function of weather. Weather plays a
 5 determining role in whether we read a meter or
 6 not. It's hard to forecast the weather, of
 7 course, but we keep a meter read--missed meter
 8 read target pretty well consistent over
 9 historical performance.
 10 Q. How about billing accuracy?
 11 A. What kind of billing accuracy are you speaking
 12 of? There's many ways of talking about
 13 billing accuracy. I don't know if you can be
 14 specific about that.
 15 Q. That's a tough question, isn't it? Are the
 16 bills accurate? Do you target a number of
 17 accurate bills, for instance?
 18 A. Well, we can count our cancels and our rebill,
 19 and we can count the adjustments we make to
 20 bills. However, what makes it a bit tricky is
 21 whether it's NP's, Newfoundland Power's fault
 22 or whether it's due to some other inaccuracy.
 23 Another way of looking at it are the--anyway,
 24 we can count the number of cancels and
 25 rebills. I don't think we have a target.

Page 123

1 order to get to that level of sophistication,
 2 you need a very complicated--a very complex or
 3 a big work management system. We don't have
 4 that. As I say, we work off our 15-year-old
 5 customer service system.
 6 When we priced work management systems
 7 back in 2001 or 2000, somewhere around that
 8 area, to get to a place where we could give
 9 performance guarantees, you know, to get the
 10 technology to give us the best chance to get
 11 our performance guarantees, that kind of
 12 technology cost about seven million at that
 13 time, I know when we looked at those reviews.
 14 Q. Mr. Delaney, a number of minutes ago, you
 15 indicated that one of the two main differences
 16 between what Newfoundland Power does now and
 17 what Delaware does was Delaware reports to
 18 benchmarks. But it's apparent to me that this
 19 is not a case where Newfoundland Power does
 20 not have benchmarks or targets, is it?
 21 Clearly, your Company clearly has benchmarks
 22 and targets.
 23 A. Newfoundland Power, yes, has its--that's what
 24 management does. Management sets objectives,
 25 sets targets and tries to meet targets.

Page 122

1 That's subject to check. Maybe we do.
 2 Q. How about the internal target for energization
 3 requests for new homes or that type of thing?
 4 Is there internal target for the amount of
 5 time it takes for Newfoundland Power to
 6 energize the property at the owner's request?
 7 A. After all of the information, all the approval
 8 have come in, there's usually a number of
 9 approvals associated with energizing a house,
 10 not only our own. We have electrical
 11 inspection and types of that. We usually look
 12 at three to five business days to get the
 13 customer hooked up. Now unless they have to
 14 have an extension or CIAC where we got to
 15 build a long power line to get them, but a
 16 typical service is three to five days.
 17 Q. And is that something that you track?
 18 A. We track it. There are--we do not have a work
 19 management system, so we're somewhat limited
 20 in how we track that. There are all kinds of
 21 exceptions and we don't have a big database to
 22 track all of this. I know of utilities that
 23 have work management systems that track when
 24 the utility will go and actually connect the
 25 service and make appointments and stuff. In

Page 124

1 Q. And I take it that you'll agree with me that
 2 the Consumer Advocate or the Board has not had
 3 input into what those targets are?
 4 A. Those targets are formulated by management.
 5 They are reported to the Board on a quarterly
 6 basis in those--not only the metric, but some
 7 detail as to what's going on in the metric, in
 8 terms of different action plans and
 9 initiatives that Newfoundland Power has. The
 10 Board reviews those targets, all that
 11 information. The Board asks us questions and
 12 for clarification on items when they have
 13 reason to do so, in their oversight capacity.
 14 So the Board does have interactive--the Board
 15 does respond to quarterly reports when they
 16 require additional information or different--
 17 in their regulatory oversight.
 18 Q. Yes, I'm aware of that. From my review of the
 19 RFIs, I wonder if you'd agree with me,
 20 Newfoundland Power has already supplied much
 21 of the performance data under the varying
 22 performance areas that are outlined in Mr.
 23 Bowman's template, distribution reliability
 24 and service standard. Would you confirm that
 25 fact?

Page 125

1 MR. DELANEY:
 2 A. I haven't analyzed what percentage of the data
 3 that we do supply. I know that there are a lot
 4 of things in Mr. Bowman's report that we don't
 5 supply. Whether it's the majority or not, I
 6 don't know right now, but there are some
 7 measures, yes, in what Mr. Bowman has proposed
 8 for reliability. There are some measures
 9 there that we do track, yes.
 10 Q. And perhaps you could turn to Exhibit CDB-2.
 11 It's supplemental, Chris, to Mr. Bowman's--I'm
 12 sorry, I'm misspeaking here. It's the
 13 Supplemental Pre-filed evidence of Mr. Bowman
 14 dated October 15th. And in particular, Chris,
 15 if you could turn to page five of the
 16 Attachment A? So, I take it you can confirm
 17 that you have provided performance data
 18 relative to call answering service level?
 19 A. If you look at call service level, the number
 20 that I see there is the number of calls not
 21 reaching a company rep within 20 seconds over
 22 the number of attempts to reach the Company.
 23 I think I explained to the Board that 20
 24 seconds would be somewhat of a stretch for us
 25 in a 20-seat Call Centre. I explained how we

Page 127

1 A. No, it's not consistent.
 2 Q. Right. And then at B part of the answer, you
 3 show a table, Table 2, calls abandoned and
 4 percent of calls offered, not including outage
 5 related calls from '02 to '06 and all the
 6 stats.
 7 A. Yes, that's there.
 8 Q. And then we have in Part C, Table 3, outage
 9 related calls abandoned '02, '06.
 10 A. Number of outage calls now answered in C?
 11 Q. In Table 3, outage related calls abandoned?
 12 A. Yes, okay.
 13 Q. And then finally you even have stats for Table
 14 4, calls blocked.
 15 A. Yes, there are statistics there, yes.
 16 Q. Then if I could turn you to CA-NP-456? This
 17 is a question which asks Newfoundland Power to
 18 provide data relating to metering and billing
 19 performance for each of the past five years,
 20 explaining how each is measured and if any
 21 exclusions are applied. I take it
 22 Newfoundland Power does not track the duration
 23 of delays in rendering bills, that's part A of
 24 the response, correct?
 25 A. I guess that's the first sentence, I was just

Page 126

1 came up with -
 2 Q. But please understand me though, Mr. Delaney,
 3 I'm not suggesting that you go to 20 seconds,
 4 okay. All I'm asking you is whether or not
 5 you've actually provided us performance data
 6 with respect to call answering service levels.
 7 A. I do not provide you the number of calls not
 8 reaching a company within 20 seconds. I
 9 provide you the percentage of calls that reach
 10 a company rep within 40 seconds. There is a
 11 difference.
 12 Q. Could we turn up, too bad we can't keep both
 13 on the same, but maybe it's not possible. I
 14 know I certainly couldn't do it if I was
 15 behind the keyboard. 455? CA-NP-455. Do you
 16 have that Mr. Delaney?
 17 A. CA-NP-455, just one second there now, see if I
 18 got it in hard copy. Yes.
 19 (12:45 p.m.)
 20 Q. I thought you provided a fair bit of detail in
 21 terms of percentage of calls answered within
 22 40 seconds from '02 through to '06, that's
 23 there. I grant you now the 20 second business
 24 is not there, but that's not in accordance
 25 with your existing internal standard, right?

Page 128

1 looking through the rest of it, yes.
 2 Q. But you've provided on page two of three at
 3 Table One, percentage of delayed bills from
 4 '02 to '06?
 5 A. Yes, that would be something we have data
 6 available.
 7 Q. Yes. And on part B on page 2 of 3, you've
 8 indicated that the Company obviously performs
 9 billing adjustments as required to ensure
 10 billing accuracy, but you don't track the
 11 number of adjustments made, okay. And, but
 12 then under Table 2, you have details going
 13 back to '02 showing the percentage of meters
 14 scheduled but not read each month from 2002 to
 15 2006 as a percentage of those scheduled to be
 16 read?
 17 A. Yes, that's what it shows there and as we can
 18 see, just to add some commentary, that
 19 January, February, March tend to be the months
 20 where we--where that statistic does drop a
 21 little and that's mostly, of course, weather
 22 related.
 23 Q. Not surprised by that. And CA-NP-457, this
 24 asks for data relating to work completion,
 25 performance for each of the past five years

Page 129

1 MR. JOHNSON:
 2 and explain how each is measured and if any
 3 exclusions are applied, and the first category
 4 being the percentage of jobs resulting from
 5 customer requests, meter related or other
 6 customer requests at work that are completed
 7 on or before the promised completion date and
 8 as defined and agreed to by the customer. And
 9 on that, you've indicated that customer-
 10 related work, such as new services and the
 11 removal of poles is influenced by outside
 12 factors; therefore, Newfoundland Power doesn't
 13 promise customers that the work will be
 14 completed at a specific date. But I take it
 15 you do, as you've confirmed, actually track
 16 performance in relation to the promise to
 17 energize a property for an owner?
 18 A. Me too, but it's a very imperfect system.
 19 Lots of exceptions, the data is not that
 20 reliable, not the kind of reliability of data
 21 that you would get in a work management
 22 system, but we endeavour to try to get those
 23 services hooked up in three to five days.
 24 Q. You do the best you can with what you've got.
 25 A. That's true.

Page 131

1 A. If we were to go down this road and we were to
 2 go through the process of implementing
 3 benchmarks and all that it requires, like I
 4 said, Delaware it was six or seven years;
 5 Ontario, it's seven years now after the,
 6 initially they brought in the service and
 7 regulations liability standards, seven years,
 8 if we were to go down this road and the cost
 9 and everything associated with it, if it came
 10 to the point of through this process there was
 11 a standard to be set, Newfoundland Power, yes,
 12 would tell you how much--would do our best to
 13 say how much this particular tracking or this
 14 particular--to achieve this particular
 15 benchmark what it would cost. When it gets to
 16 reliability, SAIDI and SAIFI, they are very
 17 difficult things to predict as to what SAIDI
 18 or SAIFI is going to be, but we would
 19 endeavour to do our best.
 20 Q. Chris, could you turn up CA-NP-65 and in
 21 particular page 5 of 6 and I would refer you
 22 to lines 7 to 9. Are we there, Mr. Delaney?
 23 A. Yes.
 24 Q. Thank you, sir. The statement is made "In
 25 Newfoundland Power's view, for the Province to

Page 130

1 Q. And just without skipping over 457(b), that
 2 asks the average number of days after the
 3 missed delivery date in which Newfoundland
 4 Power is to complete meter related or other
 5 customer requests of work, and you explained
 6 that that's--meter-related work is contracted
 7 out, so it's not tracked, okay. Now your
 8 comment regarding the Call Centre performance,
 9 you know, the 80/40. You've made it a point
 10 of impressing that, goodness, we can't go to
 11 Delaware, you know, that goes with the 80/20
 12 or whatever it is that Delaware goes with, and
 13 you indicated the concerns that, you know, you
 14 have a small Call Centre and that would
 15 require, you know, perhaps more spending and,
 16 you know, is it worth the candle, you know,
 17 that type of consideration, I suppose. But,
 18 Mr. Delaney, if Newfoundland Power were to be
 19 a participant in the development of a
 20 standard, as Mr. Bowman has proposed, well, I
 21 trust that Newfoundland Power would certainly
 22 inform the Board and inform the Consumer
 23 Advocate that there would be additional costs
 24 if a benchmark were set too aggressively high,
 25 would it not?

Page 132

1 benefit from the adoption of a code similar to
 2 the Delaware standard, there should be some
 3 tangible improvement in results or process."
 4 Correct?
 5 A. That's what it says.
 6 Q. Did Delaware adopt its standard in order to
 7 improve results?
 8 A. I'm not sure whether they developed it to
 9 improve results, but I do know that the
 10 standard, the genesis of the standard was
 11 after a number of power outages occurred in
 12 Delaware, you know, Delmarva Power and it got
 13 the ball rolling through the Regulator getting
 14 involved in that incidence, as well as
 15 restructuring going on down in the United
 16 States. I don't pretend to know all the
 17 complexities of that, but there are
 18 restructuring and the poor power outages,
 19 that's where the genesis happened, whether
 20 Delmarva Power improved its performance over
 21 what it was previous, I don't have that data.
 22 Q. I'm looking for the Delaware standard and do
 23 you think I can find it? It's information -
 24 KELLY, Q.C.:
 25 Q. Three.

Page 133

1 MR. JOHNSON:
 2 Q. Thank you, Mr. Kelly. And in particular,
 3 Chris, we're looking for Exhibit A to
 4 Information No. 8. And could you turn to page
 5 13 of that, Mr. Delaney? And in particular
 6 paragraph 3.1. Could you read that, sir?
 7 A. "Each EDC shall provide reliable electric
 8 service that is consistent with the pre-
 9 restructuring service levels as identified in
 10 Section 4 and complies with 26 Del.C. 1002."
 11 Q. Mr. Delaney, does that imply that the goal of
 12 the Delaware standard is to maintain
 13 reliability rather than improve reliability?
 14 A. It says what it says. It says "Consistent
 15 with pre-structuring service levels as
 16 identified in Section 4." I have no other
 17 knowledge of it than that sentence right
 18 there.
 19 Q. To draw upon the past performance in any
 20 event. To be consistent with the previous
 21 service levels that has been experienced, is
 22 that correct?
 23 A. If consistent means maintained through the
 24 restructuring, I have little knowledge of the
 25 restructuring that happened in Delaware. I

Page 135

1 Q. So perhaps I could just turn to slide 8 of
 2 that report, actually I should have brought
 3 you back to the purpose of the study and the
 4 hypothesis first. It's a little bit back in
 5 the document, Chris.
 6 KELLY, Q.C.:
 7 Q. Is that the purpose page?
 8 MR. JOHNSON:
 9 Q. Purpose page.
 10 KELLY, Q.C.:
 11 Q. Page 3.
 12 MR. JOHNSON:
 13 Q. Do you accept the purposes stated here was to
 14 gain an understanding of the state of
 15 reliability related regulations in the United
 16 States, including performance base rate
 17 application, quality of service standards,
 18 reporting requirements, penalties, rewards for
 19 utility performance?
 20 A. Do I accept it?
 21 Q. Yes.
 22 A. That's what it says, yes.
 23 Q. Okay, now if we now could turn to slide 8, it
 24 talks about deregulation and PBR having
 25 transformed traditional costs of service rate

Page 134

1 can just read the sentence, I can't provide
 2 much more commentary on that.
 3 (1:00 p.m.)
 4 Q. Chris, could you turn up further Information
 5 item, Information No. 9? First of all, this
 6 is obviously a state of reliability related
 7 regulation United States overview in trends,
 8 sponsored by the EEI. Do you know, have you
 9 heard of the Edison Electric Institute?
 10 A. Yes, I have.
 11 Q. And what are they?
 12 A. To my understanding they are a research
 13 institute looking at Public Utility matters in
 14 the United States.
 15 Q. And are you aware that, as it says on their
 16 website, at least, that they are the
 17 association of shareholder owned electric
 18 companies and represent about 70 percent of
 19 the US electric power industry?
 20 A. I wasn't aware of that, no.
 21 Q. Would you take that, subject to check?
 22 A. Pardon?
 23 Q. Could you confirm that perhaps by visiting
 24 their site perhaps after today?
 25 A. I could look at their site, yes.

Page 136

1 making into quality of service regulation tied
 2 to penalties. What does that mean, this
 3 notion of Quality of Service regulation?
 4 A. I'm not an expert on Quality of Service
 5 regulation. I know that we, if I look at the
 6 sentence, I know that we are not under a PBR
 7 regime, we are under a cost of service regime
 8 and we haven't deregulated. I'm not an expert
 9 on Quality of Service regulation.
 10 Q. Have you heard of it?
 11 A. I've heard of it in reading this report and
 12 some other information I've reviewed in
 13 preparation for this testimony.
 14 Q. And could you go to slide 11, it gives the
 15 summary of key findings and note at point 2,
 16 it states that that while more than 75 percent
 17 of the States have some form of reliability
 18 requirement, only 2 states, being North Dakota
 19 and is that Missouri--have the ROE based PBR
 20 in place, do you accept that?
 21 A. Well I accept that I think from my review of
 22 the report, if we want to go back to page 10,
 23 within that 75 percent, we'll see that 24
 24 percent have no standard and 24 percent have
 25 reporting only and reporting only, that's

Page 137

1 MR. DELANEY:
 2 somewhere where we are right now, I would
 3 think, that we have a reporting regime to our
 4 Regulator.
 5 Q. That would be reporting only would be the
 6 minority?
 7 A. Twenty-four percent reporting only and I'll
 8 add that 24 percent have no standard. So
 9 about 50/50 there, I guess is the split.
 10 Q. And could you go to slide 12 which talks about
 11 a summary of key trends as is noted here,
 12 Point 1, there seems to be a shift aware from
 13 ROE based PBR to Quality of Service PBR where
 14 the focus is on the establishment of the
 15 reliability end or Customer Service targets?
 16 And then the final bullet, in general
 17 Regulators are moving towards Quality of
 18 Service PBR approach with penalties only. Are
 19 you in a position to say that this trend is
 20 not happening?
 21 A. No, I'm not in a position to say the trend is
 22 or is not happening.
 23 Q. You weren't aware of the trend that was doing
 24 in this direction as reported by EES, were
 25 you?

Page 139

1 MR. JOHNSON:
 2 Q. I doubt very much that you would need to
 3 concern ourselves, Mr. Chairman, with evidence
 4 that talks about a trend towards Quality of
 5 Service considerations that take place in
 6 traditional cost of service jurisdictions,
 7 like this one with performance reported in
 8 relation to targets. Keep in mind and I'm
 9 fearful of doing what Mr. Kelly seems to me
 10 just did and that is try to give evidence, but
 11 I think it's certainly a fair area of inquiry
 12 to put before the Board some evidence as to
 13 the trend in this area.
 14 KELLY, Q.C.:
 15 Q. Nothing further to add, Mr. Chairman.
 16 CHAIRMAN:
 17 Q. I don't have any--take any particular issue
 18 with that in terms of trends, you know,
 19 occurring with regard to regulation in the US.
 20 I guess I have some difficulty in the line of
 21 questioning expecting Mr. Delaney to, I guess,
 22 comment on things that perhaps tangentially he
 23 CHAIRMAN:
 24 may be aware of by reading the evidence and I
 25 wouldn't anticipate that he--that I would

Page 138

1 A. I'm aware that there is various types of
 2 service and reliability regulation going on in
 3 the United States, whether it is a trend or
 4 not, well Davies Consulting is saying that, I
 5 can't testify whether there's a trend or not.
 6 Q. So would Newfoundland Power feel that, you
 7 know, these regulators who are, you know, part
 8 of this trend that they must have it wrong,
 9 that -
 10 KELLY, Q.C.:
 11 Q. I don't understand, with respect to--before
 12 the witness answers, Mr. Chairman, with
 13 respect, I don't understand the question
 14 because we are in this jurisdiction not
 15 regulated on ROE base PBR, we are not
 16 regulated on Quality of Service PBR, we are
 17 not a competitive environment. We are
 18 regulated on a cost of service basis under the
 19 Public Utilities Act and that's the mechanism
 20 that Newfoundland Power has to work with and
 21 it's the mechanism that the Board applies, so
 22 I'm a little puzzled as to the question about
 23 moving to a Quality of Service PBR approach
 24 when we don't have the statutory basis for it
 25 in place.

Page 140

1 expect Mr. Delaney to be able to, outside of
 2 what's there, to be able to accept or be
 3 terribly knowledgeable about this particular
 4 area, so trying to get him to, I guess, agree
 5 to these things, I can appreciate the
 6 reluctance of Newfoundland Power as in Mr.
 7 Delaney's part with respect to that. The fact
 8 of the matter is I understand where you're
 9 coming from in terms of the reliability issue
 10 and performance based trends that exist, but
 11 again, there are requirements in terms of the
 12 legislative status in this Province that would
 13 have to change in respect of that and outside
 14 of, I guess, appreciating where those trends
 15 are coming from, I, again, Mr. Johnson, I
 16 don't expect that Mr. Delaney is going to be
 17 able to comment in too much detail on those
 18 items, accept your premises with any base of
 19 sound understanding of this, so perhaps if you
 20 could try and make your points otherwise, it
 21 would be appreciated.
 22 MR. JOHNSON:
 23 Q. Thank you, Mr. Chairman.
 24 A. If I could make a comment on the report? Well
 25 -

Page 141

1 MR. DELANEY:
 2 Q. After all that.
 3 A. Well we can go to page 22 and I think
 4 something jumped out at me as I read this
 5 report. Looking at the conclusion, if we look
 6 at the first paragraph, it says the vast
 7 majority of ROE base PBR and Quality of
 8 Service PBR legislation was passed as a result
 9 of a merger agreement or following a
 10 significant event. Significant events range
 11 from extends of outages and Call Centre
 12 performance to billing errors. Now another
 13 thing that jumped out of me on the report is
 14 on page 23, if you look down, one, two, three,
 15 four to the fifth bullet, the tracking and
 16 reporting, these indicators may force
 17 utilities to undertake significant investments
 18 in information systems.
 19 Q. Sure you're already tracking a load of stuff,
 20 aren't you? Those are existing costs, we've
 21 already gone through that.
 22 A. We are tracking, but in this instance here,
 23 the summary certainly says that it may force
 24 utilities to undertake significant investments
 25 in information systems.

Page 143

1 indeed that can occur, it may be more
 2 efficient in the end, in any event, so do you
 3 have any comments -
 4 KELLY, Q.C.:
 5 Q. No objection, Mr. Chair.
 6 CHAIRMAN:
 7 Q. Okay, we'll see you 9:00 tomorrow morning.
 8 Thank you very much.
 9 Upon concluding at 1:16 p.m.

Page 142

1 Q. Depends upon what you will be tracking.
 2 A. That's true.
 3 Q. How much money is Newfoundland Power spending
 4 now to develop its internal targets and
 5 benchmarks?
 6 A. Developing internal benchmarks is embedded
 7 within the cost of managing the organization
 8 and we don't track specifically through our
 9 system of accounts, through our code of
 10 accounts the amount of time that any
 11 managerial or other person would spend on the
 12 actual activity of making a target. It's
 13 embedded in the management cost of the
 14 organization.
 15 Q. I'm wondering, Mr. Chairman, though it's not
 16 at the time, I'm wondering if I might benefit
 17 from a little break to, although the break
 18 would be the rest of the day, would it not?
 19 CHAIRMAN:
 20 Q. Absolutely.
 21 MR. JOHNSON:
 22 Q. To organize what's left and perhaps do it more
 23 dispatch tomorrow morning.
 24 CHAIRMAN:
 25 Q. There's 12 minutes left, I don't think--and if

Page 144

1 CERTIFICATE
 2 I, Judy Moss, hereby certify that the foregoing is
 3 a true and correct transcript in the matter of
 4 Newfoundland Power's 2008 General Rate Application
 5 heard on the 24th day of October, A.D., 2007 before
 6 the Board of Commissioners of Public Utilities,
 7 Prince Charles Building, St. John's, Newfoundland
 8 and Labrador and was transcribed by me to the best
 9 of my ability by means of a sound apparatus.
 10 Dated at St. John's, Newfoundland and Labrador
 11 this 24th day of October, A.D., 2007
 12 Judy Moss