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December 18, 2020

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Dear Ms. Blundon:

**Re: Newfoundland Power's Customer Service System Replacement Project – Request for Public Hearing**

**A. Introduction**

Newfoundland Power (the “Company”) filed its *2021 Capital Budget Application* with the Board on July 9, 2020. The Application proposes replacement of the Company’s Customer Service System (“CSS”) over 3 years at an estimated cost of approximately \$31.6 million (the “CSS Replacement Project” or the “Project”).

On December 8, 2020, the Board requested that the Consumer Advocate and Newfoundland and Labrador Hydro (“Hydro”) advise whether they are requesting a public hearing on the Project.

On December 11, 2020, Hydro indicated that it is not requesting a public hearing on the Project.

On December 16, 2020, the Consumer Advocate requested that the Board order a public hearing on the Project. This correspondence constitutes Newfoundland Power’s response to the Consumer Advocate’s request.

In Newfoundland Power’s view, the issues raised by the Consumer Advocate for interrogation during a public hearing are reasonably addressed on the record of this proceeding.

The record of this proceeding is comprehensive. The Company has provided all available information that proceeding with the CSS Replacement Project is necessary in 2021 to mitigate risks facing its customer service delivery. Accordingly, a public hearing would not provide any practical benefit to the Board or intervenors in making a determination on the merits of this Project.

**Newfoundland Power Inc.**

55 Kenmount Road • P.O. Box 8910 • St. John’s, NL A1B 3P6

PHONE (709) 737-5364 • FAX (709) 737-2974 • [khopkins@newfoundlandpower.com](mailto:khopkins@newfoundlandpower.com)

## **B. Background**

The CSS Replacement Project complies with the evidentiary requirements of the existing Capital Budget Application Guidelines (the “Guidelines”).

The CSS Replacement Project is described in Newfoundland Power’s *Customer Service Continuity Plan*.<sup>1</sup> The Project is designed to mitigate risks currently facing the Company’s provision of service to customers. The Project was developed based on:

- (i) An expert assessment by Ernst and Young LLP (“EY”), an industry-leading advisor in utility Customer Information Systems;<sup>2</sup>
- (ii) Newfoundland Power’s assessment of industry best practices, which included vendor product demonstrations, industry research and site visits with other utilities;<sup>3</sup> and
- (iii) Consultations with the Company’s customers, including focus groups and surveys.<sup>4</sup>

On September 9, 2020, Newfoundland Power responded to 44 Requests for Information concerning the CSS Replacement Project.

On October 9, 2020, the Board directed that a technical conference be held on the Project and that the Project would proceed separately from the remainder of the Company’s *2021 Capital Budget Application*.<sup>5</sup>

The technical conference for the Project was held on November 10, 2020 and included participation from the Board, Consumer Advocate and Hydro. Responses to an additional 38 Requests for Information in relation to the Project were filed on December 1, 2020.

## **C. General Comments**

The Consumer Advocate’s request for a public hearing is based on a claim that the record of this proceeding is inadequate. The Consumer Advocate’s claim is based, in part, on a discussion of matters being considered by the Board as part of an ongoing review of the Guidelines.<sup>6</sup> This includes, as examples, matters related to the Midgard Report, the quantification of risks, and formal asset management. The Consumer Advocate proposes that, as an alternative to a public

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<sup>1</sup> See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan*.

<sup>2</sup> See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment A*.

<sup>3</sup> See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan*, page 9, lines 1 to 4.

<sup>4</sup> See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment B*.

<sup>5</sup> The Board stated: “Given that the technical conference will be scheduled to address only one project the Board believes that the best approach to ensure the timely consideration of Newfoundland Power’s *2021 Capital Budget Application* is to consider the proposed Customer Service System replacement project separately from the rest of Newfoundland Power’s *2021 Capital Budget Application*.” See correspondence from the Board dated October 9, 2020, page 2.

<sup>6</sup> See Consumer Advocate’s correspondence to the Board, *Request for Public Hearing*, December 16, 2020, pages 2 to 3.

hearing, the Board could direct Newfoundland Power to resubmit the CSS Replacement Project following the adoption of new Guidelines.<sup>7</sup>

The Board has stated that the “*review of the Guidelines is ongoing in a separate regulatory process and, until the conclusion of this review, the existing Guidelines remain in effect.*”<sup>8</sup>

The existing Guidelines provide reasonable direction on the definition, categorization and evidentiary requirements for proposed capital expenditures. In 2019, the Board stated:

*The Board believes that the existing Capital Budget Application Guidelines have allowed for appropriate effective and efficient oversight of capital spending by the utilities in the Province. These guidelines provide a framework for the detailed technical information which must be provided by the utilities to meet the evidentiary burden associated with the annual capital budget applications.*<sup>9</sup>

Newfoundland Power shares the Board’s view that the existing Guidelines have provided for effective and efficient oversight of the utilities’ capital programs, including oversight of significant capital expenditures. For example, in 2014, the Board approved a \$297 million capital project proposed by Hydro to construct a new transmission line between Bay d’Espoir and the Avalon Peninsula, TL267.<sup>10</sup> This project was filed and approved under the existing Guidelines. The cost estimate for Hydro’s project was nearly 10 times that of Newfoundland Power’s proposed CSS Replacement Project.

In Newfoundland Power’s view, there is no basis upon which to imply that the existing Guidelines are deficient or inadequate with respect to consideration of the CSS Replacement Project. The ongoing Guidelines review should not factor into the Board’s consideration of the CSS Replacement Project, including consideration of whether a public hearing is required.

#### **D. Specific Comments**

The Consumer Advocate’s request outlines a number of specific issues for interrogation during a public hearing of the CSS Replacement Project. In Newfoundland Power’s view, the record of this proceeding addresses each of these specific issues in a reasonable and transparent manner.

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<sup>7</sup> See Consumer Advocate’s correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 7.

<sup>8</sup> See Order No. P.U. 37 (2020), page 2, lines 29 to 30.

<sup>9</sup> See correspondence from the Board regarding the *2019 Capital Budget Application Guidelines Review – Changes for 2021 Capital Budget Applications*, February 27, 2020, page 3.

<sup>10</sup> See Order No. P.U. 53 (2014).

*i. EY Objectivity and Expertise*

The Consumer Advocate's request claims that a public hearing will enable a better understanding of what EY learned over the course of its study and what it expects if the project proceeds.<sup>11</sup> The Consumer Advocate questions whether EY believes Newfoundland Power would be able to provide least-cost, reliable service if the project is delayed by 2 to 5 years.<sup>12</sup>

EY completed 2 assessments in relation to the CSS Replacement Project. The detailed results of both assessments are provided on the record of this proceeding.<sup>13</sup> These reports are comprehensive in identifying what EY learned over the course of its work. EY's planning recommendations detail how EY expects the Project to proceed, if approved.

EY found that the risks facing continued operation of CSS would increase to high over the 2023 to 2028 timeframe.<sup>14</sup> As system replacement would require 3 years to complete, deferral by 2 to 5 years would result in operating CSS during this period of high risk. Newfoundland Power determined that replacing CSS commencing in 2021 is necessary to avoid exposing a critical business application to an extended period of high operational risk.<sup>15</sup>

The Consumer Advocate's request states that Newfoundland Power did not make EY available to respond to questions at the Technical Conference or to answer Requests for Information.<sup>16</sup>

Newfoundland Power's approach to delivering the Technical Conference for this Project was determined based on the lists of issues provided by the Board and intervenors. The participation of EY was not necessary to respond to the lists of issues raised for the Technical Conference.

EY provided information in response to Requests for Information, when required. For example, EY provided an update on the utilities that operate Customer/1 systems in response to Request for Information PUB-NP-018.<sup>17</sup> EY also provided a detailed breakdown of its calculation of procurement expenses in response to Request for Information NLH-NP-010.

The Consumer Advocate's request again raises issues regarding the direction and correspondence provided by Newfoundland Power to EY over the course of the study, and whether EY has a competitive advantage for software implementation services.<sup>18</sup>

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<sup>11</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 3.

<sup>12</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 6.

<sup>13</sup> EY's 2018 *CSS Technical Risk Assessment* was provided to the Board and intervenors on November 2, 2020. EY's 2020 *Customer Information System: Assessment Results and Planning Recommendations* is provided as Attachment A to Newfoundland Power's *Customer Service Continuity Plan*.

<sup>14</sup> See response to Request for Information PUB-NP-014 for a detailed discussion of EY's 2018 CSS Technical Risk Assessment, including how risks are forecast to increase if the Project is deferred by 2 to 5 years.

<sup>15</sup> See response to Request for Information PUB-NP-014, page 7, lines 9 to 13.

<sup>16</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 2.

<sup>17</sup> See response to Request for Information PUB-NP-018, page 2, lines 23 to 33.

<sup>18</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 6.

The Board has already made a determination concerning the relevance of correspondence between Newfoundland Power and EY, as requested by the Consumer Advocate. In Request for Information CA-NP-092, the Consumer Advocate requested copies of all correspondence between Newfoundland Power and EY. Newfoundland Power objected to the Request for Information on the basis that it is not necessary for the Board to determine the objectivity of EY. The Board found that Newfoundland Power made a full and adequate response to the Consumer Advocate's request and stated that:

*The Board is of the opinion that the mere possibility that Ernst & Young may be awarded further work related to the project, following a competitive bidding process, does not raise the issue of bias or lack of objectivity.<sup>19</sup>*

Newfoundland Power subsequently provided the solicitation documents and service agreements for both assessments conducted by EY as part of the CSS Replacement Project.<sup>20</sup> These documents provide full transparency on the directions provided by Newfoundland Power to EY in completing its work.

Newfoundland Power has addressed the perceived advantage of EY in competing to provide software implementation services. In response to Request for Information CA-NP-140, Newfoundland Power explained that: (i) implementation services for the CSS Replacement Project will be obtained through a competitive tendering process; (ii) the Request for Proposals for this competitive tendering process will be developed by a third-party Procurement Advisor; and (iii) which vendors will ultimately bid to provide implementation services will depend on a number of factors, including the software solution selected. Recommendations on specific software solutions were outside EY's scope of work for Newfoundland Power. There is therefore no reasonable basis to claim that EY has a competitive advantage for software implementation services.

The Consumer Advocate questions whether "a 14.3% increase over budget" for assessment work is an indicator that similar cost overruns may arise during execution of the Project.<sup>21</sup>

It is not accurate to characterize the increase in scope for EY's 2019/2020 assessment as a cost overrun. Newfoundland Power developed a framework to assess and plan for replacing CSS in 2018.<sup>22</sup> The Company increased the quantity of work completed using external, versus internal,

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<sup>19</sup> See Board correspondence, *Request for Settlement of Response to CA-NP-092 – Board's Reply*, October 19, 2020, page 2.

<sup>20</sup> See responses to Requests for Information CA-NP-138 and CA-NP-139.

<sup>21</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 4.

<sup>22</sup> Newfoundland Power's assessment and planning framework was filed with the Board in response to Request for Information PUB-NP-008 as part of Newfoundland Power's 2019/2020 General Rate Application.

expertise over the course of this assessment.<sup>23</sup> However, the overall cost of this assessment was completed within budget.<sup>24</sup>

**ii. System Failure and Contingency Plans**

The Consumer Advocate's request claims that Newfoundland Power has not provided information on: (i) what a CSS failure entails; (ii) evidence that a failure cannot be readily rectified; or (iii) evidence that CSS will fail or the probability of failure.<sup>25</sup>

The Consumer Advocate's claims are not reflective of the information provided on the record of this proceeding.

Newfoundland Power has described the consequences of a CSS failure. Short-term system failures would be addressed through implementation of the contingency plans for CSS.<sup>26</sup> These contingency plans serve to maintain minimum service levels for customers during system failures of 1 day or less. The consequences of longer-term system failure are more severe and include substantially longer wait times for customers' enquiries, an inability to resolve certain customer requests, no access to customer self-service options, and delayed and estimated customer bills.<sup>27</sup>

The probability of a prolonged system failure is increasing. Newfoundland Power has explained that the risks facing CSS include: (i) a declining pool of spare parts for system hardware; (ii) declining support capacity; and (iii) an inability to evolve with changing customer or regulatory requirements. A declining pool of spare parts is driven by third-party hardware obsolescence. Labour market barriers constrain efforts to address a declining support capacity. New customer or regulatory requirements can no longer be cost-effectively delivered through CSS.<sup>28</sup> Each of these risks could result in a critical failure of CSS that is not readily rectified.

Response to Request for Information PUB-NP-014 provides a detailed overview of each risk facing CSS and how each risk affects the probability and consequences of system failure.

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<sup>23</sup> For example, the number of key business processes mapped by EY was increased from 20 to 43. See response to Request for Information CA-NP-139, page 2, footnote 1.

<sup>24</sup> The total budget for the assessment and planning work was approximately \$1.3 million. Actual costs were approximately \$1.2 million. See response to Request for Information CA-NP-139, page 2, part (g).

<sup>25</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 6.

<sup>26</sup> For a description of Newfoundland Power's contingency plans for CSS failure, see response to Request for Information PUB-NP-017.

<sup>27</sup> See response to Request for Information PUB-NP-017, lines 6 to 10.

<sup>28</sup> See response to Request for Information PUB-NP-014.

The Consumer Advocate's request questions why "*NP ignored the second recommendation*" from EY to develop contingency plans for CSS support and training.<sup>29</sup>

It is not accurate to state that Newfoundland Power ignored EY's recommendation. Newfoundland Power explored options to obtain training services. No training services are available.<sup>30</sup> The Company has adopted an approach of minimizing changes to the CSS, where feasible, to manage overall support requirements. Adequate contingency plans are also in place to respond to system failure.

The Consumer Advocate's request questions whether Newfoundland Power's contingency plan is adequate and typical of the industry.<sup>31</sup>

The disaster recovery capabilities of CSS are a key element of Newfoundland Power's contingency plan for that system. Disaster recovery was among the variables considered by EY in its assessment of the reliability and security of CSS.<sup>32</sup> EY determined that CSS operates reliably and securely.<sup>33</sup> No concerns were noted with Newfoundland Power's contingency plan.

### ***iii. Assessment of Risks***

The Consumer Advocate's request states a need to understand what constitutes "high risk" and how risks for this Project may be "quantified."<sup>34</sup>

The "quantification" of risk is not contemplated under the existing Guidelines. Rather, approaches to the "quantification" of risk are among the matters being considered by the Board as part of the ongoing Guidelines review. These matters are longer-term recommendations and are not relevant to the Board's consideration of this Project.<sup>35</sup>

EY used its standard methodology to assess the risks facing CSS in 2018 and how those risks were forecast to change over the subsequent 5 to 10 years. Risks were assessed across 5 dimensions, with each dimension assigned a rating of "low" to "high." EY defined a "high"

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<sup>29</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 5.

<sup>30</sup> See response to Request for Information CA-NP-143.

<sup>31</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 6.

<sup>32</sup> See EY, *CSS Technical Risk Assessment*, June 2018, Appendix B.

<sup>33</sup> See EY, *CSS Technical Risk Assessment*, June 2018, page 20.

<sup>34</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 5.

<sup>35</sup> Midgard states: "*Over the longer term Midgard recommends that some of the more ambitious industry best practices be considered for implementation, with the understanding that effectively implementing some of these practices will require legislative changes and may also require utilities to further mature their formal asset management practices, quantitative risk management processes and protocols, asset condition monitoring and testing, and asset data bases, all of which may involve incremental capital or operational spending and additional organizational change.*" Midgard further notes the implementation timeframe for these recommendations is 3-5+ years out. See Midgard Report, August 24, 2020, pages 5 and 50.

rating in its report as a risk that is: (i) likely to occur; and (ii) would have a high probability of impacting the provision of service to customers.<sup>36</sup>

In response to Request for Information PUB-NP-014, Newfoundland Power provided both qualitative and quantitative information describing each risk identified by EY.

The Consumer Advocate's request questions how EY expects the reliability and security of the system to change if the Project is deferred by 2 to 5 years.<sup>37</sup>

As described above, deferring the CSS Replacement Project by 2 to 5 years would require the existing system to continue in operation until 2023 to 2028. EY assessed that the reliability and security risks facing CSS would increase over this timeframe.<sup>38</sup>

#### ***iv. Assessment of Alternatives***

The Consumer Advocate's request questions: (i) why alternatives to full replacement were simply written off by Newfoundland Power; and (ii) what other utilities with the same CSS are doing to prolong the lives of their systems.<sup>39</sup>

It is not correct to suggest that alternatives to full replacement were "*simply written off.*" EY identified modernization alternatives based on its experience working with other utilities and what is typically seen in the industry. Each alternative was assessed against whether it would mitigate the specific technical and functional risks facing CSS. The assessment showed that replacement with a modern Customer Information System is the only alternative that mitigates these risks.<sup>40</sup>

EY's determination is consistent with current industry experience. A market analysis of 28 peer utilities confirmed that current practice is to implement a modern Customer Information System from a leading software vendor.<sup>41</sup> Market analysis also shows that other utilities operating the same technology as Newfoundland Power (Customer/1) are continuing to replace this legacy system.<sup>42</sup>

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<sup>36</sup> See EY, *CSS Technical Risk Assessment*, June 2018, page 7.

<sup>37</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 6.

<sup>38</sup> See EY, *CSS Technical Risk Assessment*, June 2018, page 21.

<sup>39</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, pages 2 to 3.

<sup>40</sup> See *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment A*, pages 7 to 11.

<sup>41</sup> See *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment A, Appendix A*, page 5.

<sup>42</sup> The market analysis showed that 6 other utilities continue to operate a Customer/1 system, compared to over 1,000 utilities operating modern Customer Information Systems provided by Oracle or SAP. For a detailed discussion of Customer/1, see response to Request for Information PUB-NP-018.

#### **Newfoundland Power Inc.**

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

PHONE (709) 737-5364 • FAX (709) 737-2974 • [khopkins@newfoundlandpower.com](mailto:khopkins@newfoundlandpower.com)

The Consumer Advocate's request questions which benefits fall into the category of "nice-to-have" rather than "must have."<sup>43</sup>

The CSS Replacement Project proposes implementation of a Customer Information System that is configured to deliver Newfoundland Power's existing requirements.<sup>44</sup> The Project does not include "nice-to-haves."

However, customers' service expectations and regulatory requirements change over time. Improving the customer experience is necessary to continue meeting customers' expectations. A modern Customer Information System must be capable of adapting to changing requirements over its service life, which is reasonably estimated to be at least 15 years.<sup>45</sup>

Newfoundland Power has developed a framework for assessing opportunities to improve the customer experience over the life of a replacement system.<sup>46</sup> Any improvements requiring capital expenditures would be brought forward for consideration as part of a future capital budget application.

The Consumer Advocate's request claims that Newfoundland Power has not considered the Project in light of technological advancements available to customers now.<sup>47</sup>

The Consumer Advocate's claim is incorrect. Technological advances have been a primary driver of changes in customers' service expectations over recent decades.<sup>48</sup> Newfoundland Power consulted with its customers to understand their current service expectations. The consultations showed customers increasingly want access to more real-time information, online chat and personalized communications, among other technology-driven service options.<sup>49</sup> A modern Customer Information System will keep pace with technological advancements and associated changes in customers' service expectations.

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<sup>43</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 2.

<sup>44</sup> See response to Request for Information CA-NP-161.

<sup>45</sup> For information on the useful service life of a modern Customer Information System, see response to Request for Information PUB-NP-016.

<sup>46</sup> See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment B*, Section 4.0 Enhancements to Customer Service Delivery.

<sup>47</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 8.

<sup>48</sup> For example, customers can visit Newfoundland Power's website to request or change services, view outages and more. This website was not available to customers 20 years ago, but is now the most frequently used communication channel among customers. See response to Request for Information CA-NP-148.

<sup>49</sup> See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment B, Appendix 1*, pages 21 to 22.

v. ***Project Costs***

The Consumer Advocate's request questions whether EY considered the workplace disruptions caused by COVID-19 in its assessment and whether the pandemic would increase costs.<sup>50</sup>

The COVID-19 pandemic is not expected to have an impact on execution of the CSS Replacement Project. Unlike projects to construct physical infrastructure, technology projects are routinely completed remotely.

The Consumer Advocate requests a breakdown of costs by each category.<sup>51</sup>

Newfoundland Power has provided numerous breakdowns of project costs on the record of this proceeding. This includes:

- (i) A breakdown and description of material, labour and other costs by year;<sup>52</sup>
- (ii) A breakdown of project costs by software, implementation services, facilities/hardware and other cost categories;<sup>53</sup>
- (iii) A breakdown of general expenses by project stage and by year;<sup>54</sup>
- (iv) A breakdown of the calculation of procurement costs;<sup>55</sup> and
- (v) A breakdown of facilities/hardware costs.<sup>56</sup>

These breakdowns provide a reasonable understanding of the costs required to execute this Project.

The Consumer Advocate's request questions whether a contingency is required and whether a 10% contingency is industry standard.

Contingency is an allowance within a project cost estimate that is judged necessary to account for potential variations in costs. The level of contingency applied may vary depending on the level of confidence in a project cost estimate.

EY applied a 10% contingency for this project based on its detailed assessment of Newfoundland Power's requirements.<sup>57</sup> In EY's view, its recommendations for Newfoundland Power reflect a

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<sup>50</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 3.

<sup>51</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 4.

<sup>52</sup> See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan*, page 20, Table 1.

<sup>53</sup> See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment A*, page 23, Figure 6.3.

<sup>54</sup> See response to Request for Information PUB-NP-006.

<sup>55</sup> See response to Request for Information NLH-NP-010.

<sup>56</sup> See response to Request for Information NLH-NP-011.

<sup>57</sup> See response to Request for Information CA-NP-154.

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55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

PHONE (709) 737-5364 • FAX (709) 737-2974 • [khopkins@newfoundlandpower.com](mailto:khopkins@newfoundlandpower.com)

typical implementation for a project of this nature. A 10% contingency is not uncommon for capital projects.<sup>58</sup>

The Consumer Advocate's request questions whether there could be significant variations in actual costs from budget given "*specific configurations*" are not yet known.<sup>59</sup>

Specific configurations are not expected to result in cost overruns for this project. EY's assessment shows that Newfoundland Power's business processes are reasonably comparable to those of other utilities. The Company's business processes are expected to be delivered by a modern Customer Information System through the base product or standard configuration.<sup>60</sup> The CSS Replacement Project includes all costs to deliver the required functionality, including system configuration costs.

The Consumer Advocate's request claims that "*neither EY nor NP have put on the record cost data for CSS replacement projects in other jurisdictions.*"<sup>61</sup> The Consumer Advocate claims there "*has not been a single comparator project documented by EY or Newfoundland Power in terms of budgeted cost and schedule, or actual cost and schedule.*"<sup>62</sup>

Data on replacement projects in other jurisdictions, including cost and schedule data, has been provided on the record of this proceeding.

Cost estimates and schedules for Customer Information System replacement projects are generally developed based on a utility's specific requirements. As such, the costs and schedules for these projects can be expected to vary by utility. To account for this variability, EY and Newfoundland Power considered aggregate industry data in assessing the reasonableness of the cost and schedule for the CSS Replacement Project.

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<sup>58</sup> For example, Hydro applied an average contingency of 10% as part of its *2020 Capital Budget Application*. See response to request for Information PUB-NLH-005 filed as part of that proceeding.

<sup>59</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 4.

<sup>60</sup> See response to Request for Information NLH-NP-013, page 1, lines 13 to 20.

<sup>61</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 4.

<sup>62</sup> See Consumer Advocate's correspondence to the Board, *Request for Public Hearing*, December 16, 2020, page 2.

This industry data shows that: (i) Newfoundland Power's cost of implementing a replacement Customer Information System is within the range of costs incurred by other utilities implementing similar projects;<sup>63</sup> and (ii) the schedule for the Project is consistent with current industry experience.<sup>64</sup>

#### **E. Conclusion**

In Newfoundland Power's view, the record of this proceeding provides fulsome information that proceeding with the CSS Replacement Project in 2021 is necessary to ensure continuity in the provision of service to customers.

Each of the specific issues raised by the Consumer Advocate concerning the Project are reasonably addressed on the record of this proceeding. Accordingly, in Newfoundland Power's view, a public hearing would not provide any practical benefit in determining the merits of proceeding with this Project.

In the past, the Board has imposed reporting requirements on significant, multi-year capital projects. For example, in approving the construction of transmission line TL267, the Board directed Hydro to provide reports on project execution as part of its annual capital budget applications. In Newfoundland Power's view, comparable reporting requirements are a reasonable means to address issues raised by the Consumer Advocate related to project execution.

We trust the foregoing is found to be in order.

If you have any questions, please contact us at your convenience.

Yours truly,



**Kelly Hopkins**  
Corporate Counsel

c. Shirley Walsh  
Newfoundland and Labrador Hydro

Dennis Browne, Q.C.  
Browne Fitzgerald Morgan & Avis

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<sup>63</sup> EY states: "Industry guidance for CIS replacement initiatives, based on market experience, places implementation costs between \$65 and \$137 per customer, gaining economies of scale with larger utilities. Newfoundland Power is within that range, estimated at \$106 per customer." See 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Volume 1, Attachment A, page 23.

<sup>64</sup> The duration of Newfoundland Power's Implementation stage is 21 months, compared to an industry range of 18 to 24 months. The duration of the Company's Post-Implementation stage is 4 months, compared to an industry range of 3 to 9 months. For more information, see response to Request for Information NLH-NP-009.

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