

WHENEVER. WHEREVER.
We'll be there.



HAND DELIVERED

July 30, 2019

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

Re: Rate Stabilization Plan Refund Final Report

Ladies and Gentlemen:

Please find enclosed the original and 9 copies of Newfoundland Power Inc.'s Rate Stabilization Plan ("RSP") Refund Final Report.

In September 2016, the Board of Commissioners of Public Utilities approved Newfoundland Power's plan to refund to customers the RSP surplus that had accrued in Newfoundland and Labrador Hydro's ("Hydro") RSP. In Order No. P.U. 35 (2016), the Board ordered that Newfoundland Power file a final report on its Customer Refund Plan. This report is filed in compliance with Order No. P.U. 35 (2016).

If you have any questions, please contact the undersigned at the direct number noted below.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Gerard M. Hayes".

Gerard M. Hayes
Senior Counsel

Enclosures

Newfoundland Power Inc.

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RSP REFUND

FINAL REPORT – July 2019

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Table of Contents

1. Executive Summary.....	1
2. Background.....	2
3. Plan Execution	3
a. Calculation of Refund Amounts	3
b. Customer Refunds Issued.....	4
c. Customer Communications	5
d. Administration Costs	7
4. Unrefunded Amounts	9
5. Plan Closeout.....	10
Appendix A: Details of Customer Refund Rounds	A-1

1. Executive Summary

In September 2016, the Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”) approved Newfoundland Power Inc.’s (“Newfoundland Power” or the “Company”) Customer Refund Plan (the “Plan”). The Plan outlined how the Company would refund to customers approximately \$129 million that had accrued in Newfoundland and Labrador Hydro’s (“Hydro”) Rate Stabilization Plan (“RSP”).¹ This was the largest refund issued to customers in the Company’s history.²

Approximately 181,000 current customers were eligible to receive a refund. Virtually all of these customers received their refund in February 2017. Approximately 85,000 former customers were eligible for a refund. Nine rounds of refunds were completed between April 2017 and October 2018 targeting former customers.

Execution of the Plan required a large-scale customer communications effort. This included local and national advertising campaigns, establishing a temporary call centre, and modifying the Company’s website and telephone systems to provide customers with refund information via self-service options. Throughout the refund period, the Company responded to over 850,000 refund-related contacts from customers.

Newfoundland Power issued its final round of customer refunds in October 2018. By May 2019, all refund cheques that remained uncashed had become stale-dated. The remaining refund amounts were transferred back to Hydro’s RSP account.

In total, approximately \$122.6 million was refunded to 213,000 current and former customers, representing 95% of the total RSP surplus. Upon completion of the Plan, unrefunded amounts of

¹ All funds referenced in this report are excluding HST.

² Prior to 2017, the largest refund completed by the Company was in 2001 and was valued at \$6.7 million plus \$1 million in HST. See Order No. P.U. 37 (2000-2001).

1 approximately \$6.4 million relating to 54,000 former customers were outstanding. The majority
2 of these refunds (approximately 62%) were less than \$100.

3

4 In June 2019, Newfoundland Power finalized all costs associated with administering the Plan and
5 the refund amounts that were not claimed. The Company's costs to administer the refunds were
6 less than what was estimated in the Plan. The Plan is now considered closed.

7 **2. Background**

8 In 2013, the Provincial Government ordered that approximately \$129 million be refunded to
9 customers as a result of a surplus balance that had accrued in Hydro's RSP (the "RSP Refund").³
10 The surplus balance resulted from a reduction in the load of certain industrial customers on the
11 Island Interconnected System between 2007 and 2013.

12

13 The Provincial Government directed the Board to determine the details of the RSP Refund. The
14 Board expressed an expectation that Hydro, Newfoundland Power and the Consumer Advocate
15 would work jointly to determine a reasonable approach for administering customer refunds.⁴

16

17 On June 30, 2016, Newfoundland Power submitted an application to the Board for approval of its
18 Plan to administer customer refunds. The Plan reflected a consensus proposal agreed upon by
19 Newfoundland Power, Hydro and the Consumer Advocate. The Board approved the Plan in
20 September 2016.⁵

21

22 The Company's Plan provided for, among other aspects: (i) calculation and payment of refunds
23 to eligible customers; (ii) communication with customers regarding the refund process; (iii)
24 recovery from Hydro's RSP of the Company's reasonable costs of administering refunds; and (iv)
25 closeout of the Plan approximately 24 months after Board approval.

³ See Orders in Council OC2013-089 and OC2013-091, both dated April 4, 2013.

⁴ See Order No. P.U. 9 (2014).

⁵ See Order No. P.U. 35 (2016).

1 This report details Newfoundland Power’s execution and conclusion of the Plan.

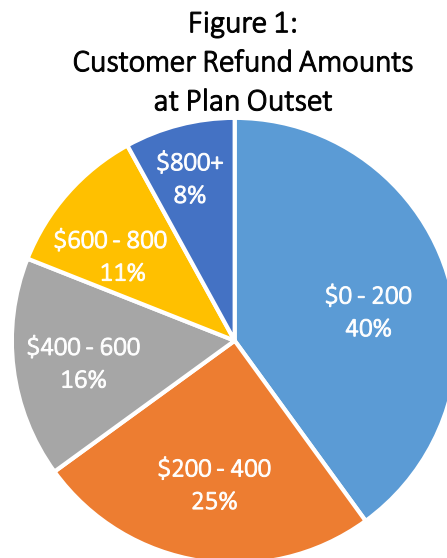
2 **3. Plan Execution**

3 **a. Calculation of Refund Amounts**

4 Execution of Newfoundland Power’s Plan began with the calculation of refund amounts for
5 eligible customers. Eligible customers were those who paid electricity rates between January 1,
6 2007 and August 31, 2013.⁶ For each customer, the refund amount was calculated by
7 multiplying the refund rate of \$0.364 by the customer’s energy consumption (kWh).⁷

8
9 Many customers had multiple service accounts over this period. The retrieval and analysis of
10 archived account information determined refunds were owed to approximately 181,000 current
11 Newfoundland Power customers and 85,000 former customers.⁸

12
13 Figure 1 provides a breakdown of the refund amounts owing to customers at Plan outset.



⁶ Over this 80-month period, the Company served approximately 510,000 customer accounts and issued approximately 18.8 million customer bills.

⁷ Net Refund / Total kWh billed during the refund period = $\$138,474,236 / 38,012,328,684 = 0.364$ ¢/kWh. This calculation includes refund amounts owing to both Newfoundland Power customers and Hydro customers.

⁸ The 510,000 service accounts that existed between 2007 and 2013 were associated with the names of 266,800 customers. At the outset of issuing customer refunds, approximately 181,400 of these customers had active service accounts with the Company and 85,400 were associated with inactive accounts. This ratio changed over time as former customers established new service agreements with the Company.

1 Customer refund amounts were highly variable, ranging from less than \$2 to over \$1 million.
2 This variability reflected a combination of differences in customer usage and varying periods of
3 customer eligibility. The majority of customer refunds (65%) were less than \$400.

4

5 **b. Customer Refunds Issued**

6 Newfoundland Power's Plan outlined that refunds would first be issued to current customers,
7 after which efforts would shift to reaching former customers. RSP Refunds were primarily paid
8 to customers by cheque.⁹ Cheques were issued in the name of the primary account holder.¹⁰

9

10 *Round 1*

11 The first round of customer refunds was issued on February 15, 2017. Approximately
12 \$110.6 million was refunded to 184,000 current and former customers during the first round.
13 This represented approximately 86% of the total RSP Refund amount.

14

15 Virtually all current customers received their refunds during the first round. Details on refund
16 amounts were provided with customers' electricity bills issued after February 10, 2017.¹¹

17

18 *Rounds 2 to 10*

19 Following the distribution of refunds to current customers, efforts shifted to reaching former
20 customers who had not yet contacted the Company. Determining the whereabouts of former
21 customers was identified as a challenge in Newfoundland Power's Plan.

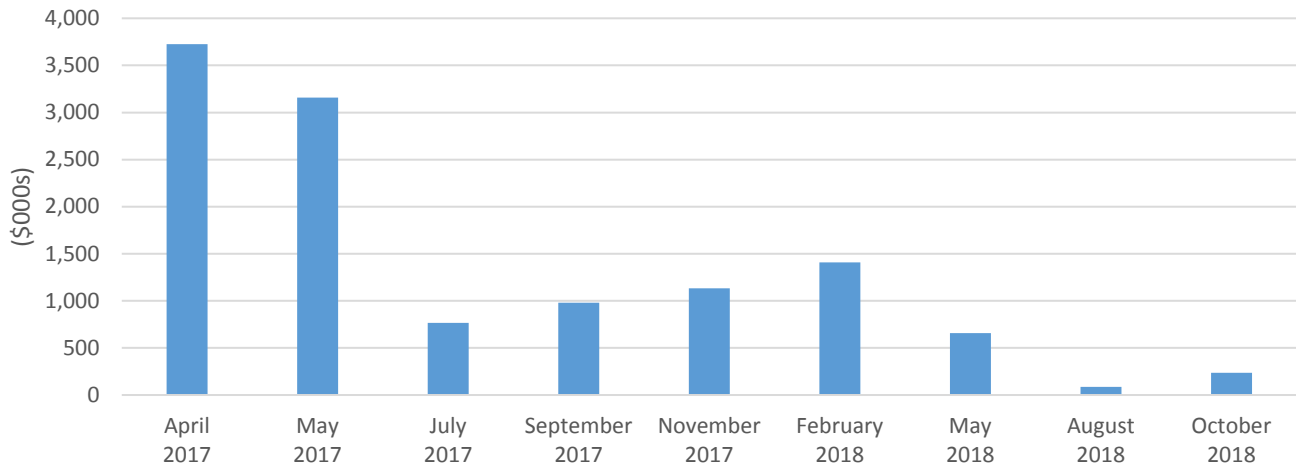
⁹ Refund amounts would be credited to customers' accounts in 2 scenarios: (i) when a refund totaled less than \$2; and (ii) when a customer's account was in arrears. This was consistent with Newfoundland Power's Plan. Approximately 1,500 refunds were less than \$2 and therefore credited to customers' accounts. Approximately 73,600 refunds were applied to customer accounts, either in part or in whole.

¹⁰ For special cases where customers entitled to a refund under the terms of the Plan had died, become legally incapacitated, or were bankrupt, the Company paid the refunds to the customer's estate, legal representative, or trustee as appropriate.

¹¹ Customers' bills issued after February 10, 2017 included a refund statement showing how the refund amount was calculated, any portion that was applied against their electricity account balance, and the portion that was paid by cheque.

1 Between April 2017 and October 2018, the Company completed 9 rounds of refunds targeting
2 former customers. Figure 2 shows the total amount in dollars refunded during each round.

**Figure 2:
Total Amount Refunded
(April 2017 to October 2018)**



3 A total of \$12.2 million was refunded to approximately 30,000 customers through the 9 rounds
4 of refunds completed between April 2017 and October 2018. A detailed breakdown of each
5 round is provided in Appendix A.

6

7 **c. Customer Communications**

8 Execution of Newfoundland Power’s Plan required a large-scale customer communications
9 effort.

10

11 Preparations to facilitate customer communications included: (i) modifying the Company’s
12 Customer Service System to retrieve archived information; (ii) modifying Newfoundland Power’s
13 website and telephone system to provide customers with refund information via self-service
14 options; and (iii) establishing a temporary call centre dedicated to the refund process.

15

16 Initial communications were aimed at promoting a general understanding of the refund process
17 among current customers. A media release was issued in January 2017, indicating the first round

1 of customer refunds would be distributed in February 2017. Refund-related information was
2 shared with current customers via Newfoundland Power’s website, the Company’s newsletter,
3 and its social media accounts.¹²

4
5 Following the first round of refunds, the focus of communication efforts shifted to reaching
6 former customers. The Company employed a variety of communication tactics in 2017 and 2018
7 to reach former customers. These included: (i) advertisements via local news outlets; (ii) a
8 national advertising campaign in partnership with Hydro;¹³ (iii) targeted communication
9 initiatives, including direct contact with customers that were owed large refund amounts; and
10 (iv) an online advertising campaign via the Company website and social media channels.¹⁴

11
12 In July 2018, Newfoundland Power’s website was modified to prominently display the customer
13 refund deadline. A national online advertising campaign was also completed to raise awareness
14 of the approaching deadline. This approach was considered reasonable, given the low value of
15 the majority of remaining refunds. Final communication efforts also included direct contact with
16 customers who had not yet cashed their refund cheques.¹⁵

17
18 Table 1 provides the total RSP Refund-related contacts from customers over the period January
19 2017 to October 2018.

¹² Power Connection is Newfoundland Power’s monthly newsletter provided with customers’ bills.

¹³ The national advertising campaign sought to reach former customers residing elsewhere in Canada through print and online advertisements and promotion via social media. National advertisements directed former customers to an online platform developed by Newfoundland Power and Hydro (www.getmyrefund.ca). The platform provided access to a registration form to help former customers receive their refund. The “Get My Refund” online platform received over 13,000 visits in April and May 2017 while the campaign was active.

¹⁴ Other targeted communication initiatives completed over this period included: (i) visits to retirement homes and seniors’ facilities; (ii) promotion during community events; (iii) an email blast to former customers using contact information on file; and (iv) a mobile campaign to reach former customers visiting the province for the holidays in December 2017.

¹⁵ After 6 months, uncashed cheques become stale-dated, and are no longer accepted by financial institutions.

**Table 1:
RSP Refund Customer Contacts
(January 2017 to October 2018)**

Communication Channel	Number of Contacts
Website Visits	684,037
Customer Calls (CSR) ¹⁶	62,563
Customer Calls (IVR System) ¹⁷	75,886
Emails	31,656
Total	854,142

1 Newfoundland Power received over 850,000 contacts from customers regarding the RSP Refund
 2 over the duration of the Plan. The RSP Refund accounted for 16% of all customer contacts
 3 received by the Company over this period.¹⁸

4
 5 Approximately 89% of all customer contacts regarding the RSP Refund were completed via self-
 6 service options on Newfoundland Power’s website and telephone system.¹⁹

7
 8 **d. Administration Costs**

9 In administering the Plan, Newfoundland Power incurred costs incremental to its normal
 10 operating costs. These one-time costs primarily consisted of costs related to information
 11 technology, cheque processing, advertising, and customer service staff requirements to assist in
 12 administering the refund.

13
 14 The recovery of the Company’s incremental costs was effected through quarterly billings to
 15 Hydro.²⁰ The recovery of amounts written off as bad debt prior to 2016 was credited to

¹⁶ “CSR” denotes “Customer Service Representative” and indicates which calls were handled by Company staff.
¹⁷ “IVR System” denotes “Interactive Voice Response System” and indicates calls handled through automation.
¹⁸ Newfoundland Power received approximately 5.43 million contacts from customers between January 1, 2017 and October 31, 2018 (854,142 / 5,430,000 = 0.16, or 16%).
¹⁹ (684,037 + 75,886) / 854,142 = 0.89, or 89%.
²⁰ Quarterly billings to Hydro were approximately: (i) \$376,000 in Q4 2016; (ii) \$781,000 in Q1 2017; (iii) \$231,000 in Q2 2017; (iv) \$85,000 in Q3 2017; (v) \$81,000 in Q4 2017; (vi) \$74,000 in Q1 2018; (vii) \$13,000 in Q2 2018; (viii) \$41,000 in Q3 2018; (ix) \$60,000 in Q4 2018; (x) \$2,600 in Q1 2019 and (xi) \$800 in Q2 2019.

1 customers by offsetting such recoveries against the quarterly billings.²¹ This is consistent with
 2 the principle that Newfoundland Power should neither benefit nor lose from the administration
 3 of refunds to customers resulting from a surplus in Hydro’s RSP.²²
 4
 5 Table 2 provides Newfoundland Power’s cost of administering the RSP Refund.

Table 2: Plan Administration Costs	
Category	Total
Customer Service Costs	1,191,822
Banking Costs	431,825
Advertising	243,144
CSS Modifications	154,178
Miscellaneous ²³	46,547
Sub Total	2,067,516
Recoveries	(321,852)
Total	1,745,664

6 In total, approximately \$2.1 million was incurred to administer the RSP Refund, excluding
 7 recoveries. This represents approximately 83% of the total forecast administration costs
 8 estimated in Newfoundland Power’s Plan.²⁴

²¹ The treatment of amounts associated with uncollectible bills expense was addressed in Newfoundland Power’s 2016/2017 General Rate Application, Settlement Agreement, Section 21, page 4.

²² Section 5.1 of the Plan provides that administration costs shall be funded by amounts in Hydro’s RSP. Section 5.2(b) states that Newfoundland Power should provide Hydro with quarterly accounts indicating the costs incurred in administering the Plan. The Board approved this approach in Order No. P.U. 35 (2016).

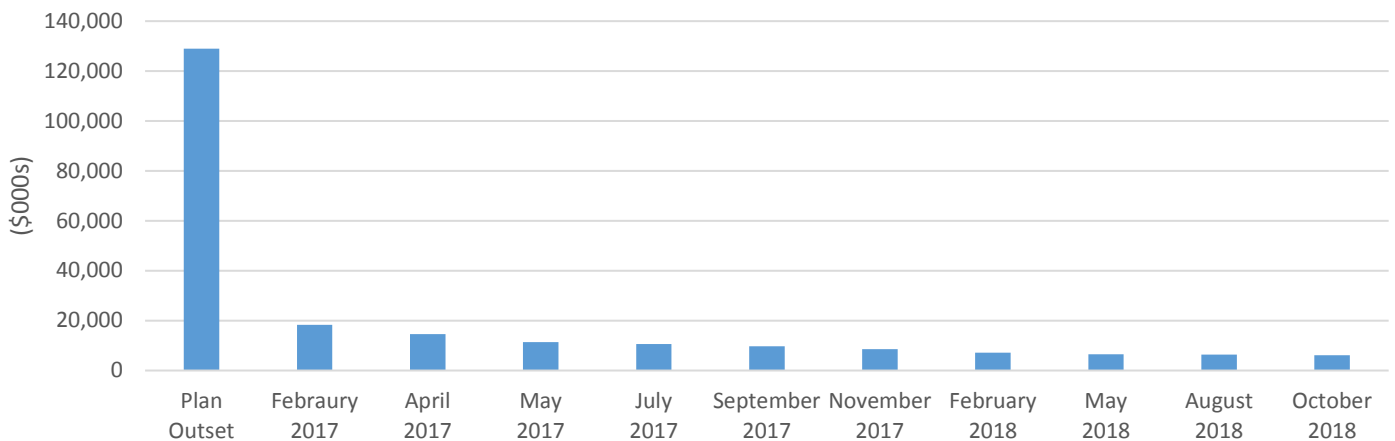
²³ Miscellaneous includes costs associated with required outside legal advice, consultant costs and establishment of a temporary call centre.

²⁴ The Company’s Plan estimated that approximately \$2.5 million would be required to administer the RSP Refund (2,067,516 / 2,500,000 = 0.827 or 83%).

4. Unrefunded Amounts

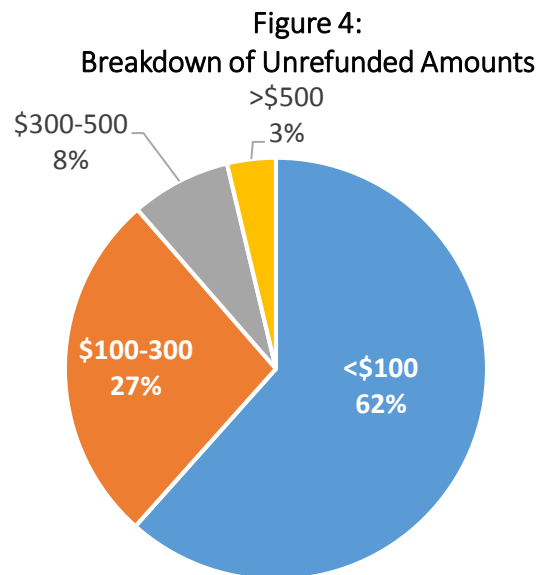
Figure 3 shows the reduction in the total RSP Refund amount following each round of customer refunds.

**Figure 3:
RSP Refund Amount Remaining**



Approximately \$6.2 million remained in the RSP Refund after the final round of refunds were issued in October 2018. These funds were associated with approximately 52,000 former customers.

Figure 4 provides a breakdown of unrefunded amounts following the final round of refunds.



Approximately 62% of unrefunded amounts were less than \$100.

5. Plan Closeout

Newfoundland Power's Plan indicated that closeout would occur approximately 24 months after Board approval, and would be based on an assessment of remaining funds and the cost of continued outreach.

The Company assessed the costs incurred to administer customer refunds in mid-2018. During the first round, the cost of issuing a customer refund was approximately \$4 per refund.²⁵ This cost increased to approximately \$19 per refund in subsequent rounds.²⁶ The increase in cost was driven by a lower number of customer refunds issued in subsequent rounds.

Consistent with the Company's Plan, Newfoundland Power concluded refund activities in October 2018, approximately 25 months after Board approval.²⁷ At that time, Newfoundland Power issued its final round of refunds. Where a current customer had not yet cashed a refund cheque, the refund amount was applied to their account.²⁸ The remaining unrefunded amounts associated with expired cheques that had been issued to former customers were returned to Hydro. Cheques issued in the final round of refunds expired in May 2019. Unrefunded amounts relating to these refunds were also returned to Hydro.²⁹

In June 2019, the Company finalized all unrefunded amounts and costs associated with administering the Plan.³⁰ All RSP Refund activities are now concluded.

²⁵ Total billings to Hydro were \$781,102 in the first quarter of 2017, including \$61,351 related to modifications to the Company's Customer Service System. These modifications were a one-time cost incurred to enable customer refunds and were excluded from the analysis. A total of 184,128 customer refunds were issued in the first quarter. $(\$781,102 - \$61,351) / 184,128 = \$3.91$.

²⁶ Billings to Hydro totaled \$584,893 from April 1, 2017 to December 31, 2018. Refunds were issued to 30,264 customers over this period. $\$584,893 / 30,264 = \19.32 .

²⁷ As outlined in Section D.4 of the Company's Plan, any refund claims that were unresolved at Plan closeout due to inaction or failure of the customer to provide required documentation were refused. Any refund claims that were unresolved pending action or consideration by Newfoundland Power were processed.

²⁸ Amounts owing to customers were credited to customer accounts in December 2018.

²⁹ In total, Newfoundland Power transferred RSP Refund amounts back to Hydro on two occasions. These related to refunds that were provided to former customers and had expired. On December 21, 2018, amounts associated with 1,110 expired refund cheques totaling approximately \$152,946 were returned to Hydro and on May 17, 2019, amounts associated with 123 expired refund cheques totaling approximately \$13,585 were returned to Hydro.

³⁰ Total incremental costs incurred by Newfoundland Power were approximately \$2.1 million; and a balance of approximately \$6.4 million remained unrefunded in Hydro's RSP account.

Appendix A: Details of Customer Refund Rounds

Table A-1 provides a breakdown of the total dollars and customers refunded for each round of the RSP Refund and amounts returned to Hydro.

Table A-1:
Customer Refunds by Round

	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6	Round 7	Round 8	Round 9	Round 10	Returned to Hydro	Total
Date Issued	Feb 15, 2017	Apr 12, 2017	May 31, 2017	Jul 26, 2017	Sep 27, 2017	Nov 29, 2017	Feb 14, 2018	May 9, 2018	Aug 1, 2018	Oct 31, 2018	--	--
Total \$ Refunded (excluding HST)	\$110.6	\$3.7	\$3.2	\$0.8	\$1.0	\$1.1	\$1.4	\$0.7	\$0.1	\$0.2	-\$0.2	\$122.6
Current Customers Refunded	179,432	1,726	705	594	504	403	290	428	350	479	--	184,911
Former Customers Refunded	4,696	7,375	4,741	1,994	2,905	3,651	1,058	1,979	304	778	-1,233	28,248
Total Customers	184,128	9,101	5,446	2,588	3,409	4,054	1,348	2,407	654	1,257	-1,233	213,159