

1 **Q. Reference: “2021 Capital Budget Application,” Newfoundland Power, July 9, 2020**
 2 **Volume 1, Schedule B, Customer Service System Replacement (Other, Multi-year)**
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4 **Was the recommendation from Ernst & Young LLP to implement a modern**
 5 **Customer Information System based on a determination that it was the least-cost**
 6 **solution for Newfoundland Power’s customers? If so, please provide the detailed**
 7 **determination. If not, why not?**
 8

9 **A. A. EY Assessment and Recommendations**

10 The recommendation of Ernst and Young LLP (“EY”) was based on the determination
 11 that implementing a modern Customer Information System (“CIS”) is the *only viable*
 12 *alternative* to ensure continuity in Newfoundland Power’s customer service delivery.¹
 13

14 EY arrived at this determination based on an assessment of 4 industry-standard
 15 alternatives: (i) maintain the status quo; (ii) further extend the existing system through
 16 bolt-on applications that provide specific functionality; (iii) re-platform the existing
 17 system to a modern, supported programming language; and (iv) replace the existing
 18 system with a modern CIS. EY determined that implementing a modern CIS is the only
 19 alternative that mitigates the functional and technical risks facing Newfoundland Power’s
 20 customer service delivery.²
 21

22 Based on EY’s assessment, Newfoundland Power determined that replacement of its
 23 Customer Service System is the least-cost solution for its customers.
 24

25 **B. Least-Cost Customer Service Delivery**

26 Newfoundland Power provides least-cost customer service.
 27

28 Over the period 1999 to 2019, the number of customers served by Newfoundland Power
 29 increased by 55,000, or 26%. The average number of enquiries received from customers
 30 tripled over the same period.
 31

32 While the number of customers and customer enquiries increased over these 2 decades,
 33 the Company reduced its cost of providing customer service. On an actual basis, the cost
 34 of Newfoundland Power’s customer service delivery was 13% less in 2019 than in 1999.³
 35 This compares to an increase in customer service costs of 51% over the same period
 36 among the utilities in the Company’s US Peer Group.⁴
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¹ See the 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment A, page 11.

² See the 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment A, pages 7 to 11.

³ See the 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, page 4.

⁴ See response to Request for Information CA-NP-072.

1 From another perspective, when adjusted for inflation Newfoundland Power's cost of
2 providing customer service was 43% less in 2019 than in 1999.⁵

3
4 This reduction in customer service costs was achieved while maintaining a consistent
5 level of customer satisfaction. Satisfaction with Newfoundland Power's service delivery
6 averaged approximately 88% among customers over the period 1999 to 2019.⁶

7 8 **C. Customer Service Technology**

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10 Newfoundland Power's Customer Service System is the primary technology
11 underpinning its customer service delivery. This system supports all essential customer
12 service functions, including program and service delivery, account management and
13 billing, and customer communications. As examples, the Customer Service System:

- 14
15 (i) Stores and maintains information related to over 269,000 current customer
16 accounts and over 1 million inactive accounts;
- 17 (ii) Processes monthly metering data to automatically generate virtually all customer
18 bills, including the automatic issuance of ebills;
- 19 (iii) Tracks and applies customer payments and payment arrangements, including the
20 automatic generation of correspondence and calls to customers;
- 21 (iv) Connects directly with the customer website and telephone system to provide
22 efficient self-service options for customers, including the ability to report outages
23 and check account balances online;
- 24 (v) Provides a record of customers' service history and previous contacts with the
25 Company to facilitate responding to customers' enquiries;
- 26 (vi) Facilitates the delivery of programs and services to customers, including over
27 50,000 on-bill conservation rebates and \$9 million in customer financing
28 programs since 2009; and
- 29 (vii) Logs and tracks day-to-day work queues for customer service staff, such as
30 customer billing adjustments and energy conservation requests.⁷

31
32 Each of these functions is essential to provide responsive customer service delivery.
33 None of these functions could be completed in an efficient manner if Newfoundland
34 Power's Customer Service System were to fail in service. Considerable manual effort
35 would be required to maintain minimum service levels, including the manual processing
36 of thousands of customer bills each month.⁸

37
38 EY's assessment of alternatives determined, in effect, that ensuring continuity in
39 Newfoundland Power's ability to deliver least-cost customer service requires the
40 replacement of its existing technology with a modern CIS.

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⁵ See the 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, page 4.

⁶ See the 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, page 4.

⁷ See the 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, pages 2 and 5 to 6.

⁸ See the 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, pages 6 to 8.

- 1 Furthermore, Newfoundland Power's *Customer Service Continuity Plan* establishes that
- 2 the Company will complete a competitive tendering process to ensure the CIS selected is
- 3 the least-cost alternative that meets its requirements.