Letter Re: Meter Reading Pilot Project – Summer 2000

December 22, 2000

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

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Board of Commissioners of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, Newfoundland
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Attention: Ms. Cheryl Blundon
Board Secretary

Ladies & Gentlemen:

Re: Meter Reading Pilot Project – Summer 2000

Enclosed herewith are fifteen (15) copies of a report on the meter reading pilot project that was conducted during the summer of 2000. The purpose of the pilot project was to measure customer response to the initiative and to verify the potential cost savings that could be realized by estimating selected meter reading routes during the summer vacation period.

Based on the low number of inquiries and the low level of concern expressed by customers, it appears that the majority of customers would be willing to accept a limited number of estimates. As well, the Company realized a savings of approximately $22,000 in operate costs as a result of the implementation of this project.

As a result, the Company plans to estimate meter reading routes in lieu of hiring temporary meter readers during the spring and vacation period on a go forward basis. In addition, the Company will update consumption codes on customers' accounts where necessary and track customer response specific to the estimation of meter reading routes on an ongoing basis.

If there are any questions with respect to the above or enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel
Regulatory Affairs

Newfoundland Power Inc.

Meter Reading Pilot Project

Summer 2000

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Introduction

During the period July to September 2000, Newfoundland Power (the "Company") conducted a pilot project involving the planned estimate of energy consumption for selected meter reading routes (the "Pilot Project").

Like many organizations, Newfoundland Power's staffing during the summer period is impacted by employee vacations and the resulting need for temporary replacement staff. The Pilot Project represented an opportunity to examine the appropriateness and feasibility of limited estimating as a means to reduce the operating costs associated with meter reading through a reduction in the use of temporary labour. This is in keeping with the Company's continuing effort to balance cost and customer service.

Estimating electricity consumption involves the assignment of notional energy consumption for a billing period based on a customer's prior energy usage pattern. The estimate is used in lieu of a visual meter reading by a Company representative. Any variance between a customer's estimated and actual consumption is determined by a subsequent visual meter reading, and adjusted in the next billing cycle.

The purpose of the Pilot Project was to measure customer response to the initiative and to verify the potential cost savings that could be realized by estimating selected meter reading routes during the summer vacation period.

This report includes:
- an overview of the main elements of the Pilot Project;
- a summary of the specific results of the Pilot Project;
- a listing of the action plans to be implemented based on the results of the Pilot Project.

Elements of the Pilot Project

The main elements of the Project were as follows:

1. Implemented for the summer months of July, August and September.

2. Routes estimated only when all other options (i.e., using another regular employee or obtaining readings on a scheduled non-read day) were fully considered and deemed not feasible.

3. Applied only to services on Rate 1.1 (Domestic) and Rate 2.1 (Small General Service) and not to services with demand meters.

4. Estimating for the Pilot Project limited to one estimated reading per service.

5. No routes estimated for two consecutive months as a result of the implementation of the Pilot Project.

6. Customers were notified of an estimated reading through a message on their bill.

Results of the Pilot Project

The impact of the Pilot Project on meter reading, customers, the billing system and operating costs is discussed below:

Meter Reading

A total of 205 meter reading routes, out of 2,043 for the July to September period, were estimated as part of the Project. This resulted in estimated readings for a total of 63,229 meters during the July to September period, exclusive of estimates which resulted from normal occurrences such as inaccessible meters. This number represents approximately 10% of all meters billed during the period.

Customer Reaction

In general, customer reaction was relatively low. A total of 361 customer inquiries were received as a direct result of estimated meter readings during the July to September period. This represents less than 1% of all customers who received an estimated bill during this period. As the Call Centre responded to approximately 85,000 calls during the July to September period for various billing and account inquiries, the number of calls specific to meter estimates was considered minimal.

In late August, the Pilot Project attracted some media attention. From that point, the Company began tracking the level of customer concern for those calls relating to estimated meter readings. Of the 179 calls received from that date, 26 customers (or 15%) were judged to have indicated a high degree of concern, while the remaining 153 (85%) indicated a low or medium degree of concern.

As well, the Company's survey of customer satisfaction for the third quarter of 2000 did not reveal any negative reaction as a result of the Project. The survey recorded a 90% satisfaction rating, one of the highest ratings recorded since the Company began tracking customer satisfaction.

Billing System

A normal process within the automated billing system involves identifying bills that exhibit large or abnormal variations in their monthly energy consumption in comparison to past history. Such bills are then manually reviewed to determine if their energy consumption is correct. As a result of the increased number of estimated meter readings during the July to September period, the Company experienced an increase in the number of customer bills that required a manual review of their energy consumption.

Approximately 1,500 additional bills per month, or 4,500 over the period in question, were selected for the review process. The majority of these bills were found to be accurate; however, approximately 600 bills were found to have been overestimated in the previous month based on a subsequent visual reading. In these cases, the energy usage was adjusted prior to the issuance of the bill to the customer.

Most of the problematic estimated readings were the result of outdated consumption codes on customers' accounts. The consumption code identifies a service that has a seasonal energy use pattern, and the code is an integral part of the estimating process. If the customer's consumption pattern changes and the code is not updated to reflect the change, then the estimate of energy consumption will often be inaccurate.

Operating Costs

The Company achieved a reduction of approximately $30,000 in temporary labour costs related to meter reading. These savings were offset to some extent by an increase in operating costs related to: handling additional inquiries through the call centre; processing customer bills whose energy consumption was identified to be higher or lower than expected; and completing additional check readings and billing adjustments. The estimated additional operating costs associated with these activities is approximately $8,000, resulting in a net savings in operating costs as a result of the implementation of the Pilot Project of approximately $22,000. A detailed breakdown of the operating cost savings is contained in Appendix A.

Summary

The purpose of the Project was twofold; first, to measure customer response to a limited number of meter reading estimates, and second, to verify the level of cost savings that could be realized through a reduction in the use of temporary labour.

Based on the low number of customer inquiries and the generally low level of concern expressed by customers, it appears that the majority of customers would be willing to accept a limited number of estimates of their energy consumption.

As well, the Company has realized savings of approximately $22,000 in operating costs as a result of the implementation of the Project during the peak summer vacation period.

Action Plans

Based on the results achieved from the implementation of the Summer Meter Reading Pilot Project, the Company plans to:

1. Estimate meter reading routes in lieu of hiring temporary Meter Readers during the Spring/Summer vacation period on a go-forward basis.

2. Review and update consumption codes on customers' accounts where necessary to ensure the validity of the codes.

3. Track customer response specific to the estimation of meter reading routes, on an ongoing basis.

Appendix A

Impact on Operating Costs

	Number of Routes	Cost Savings per Route	Total Cost ($)
Reduction in use of temporary labour	205	$130.16*	26,682.80
Loading factor (12%)			3,201.94
Total labour savings			29,884.74
Additional operating costs due to:			
Billing edit checks			5,170.00
Customer inquiries			887.40
Other miscellaneous work			873.00
Salary Loading			800.00
Total additional operating costs			7,730.40
Net Savings			**22,154.34**

* Based on a Meter Reader wage rate of $16.27 for an eight-hour work day.