

**Section 2: Customer Operations/Operating Costs**

**Q. Volume 1, Section 2, page 2-30, Table 2-4, and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 2 of 4. The Customer Service cost component of the Customer Services function has increased \$0.502 million (6%) in 2025 Forecast as compared to the 2023 test year.**

- a) Please provide more detail of the type of expenses included in this category and reasons for the increase.**
- b) Please provide an explanation for a further increase of \$314,000 between the 2025 Forecast and the 2026 Forecast.**
- c) Are there any savings/efficiencies factored into this cost as a result of the various new technologies and the new customer service system implemented recently? If so, please provide the detail. If not, please explain why.**
- A. a) Operating costs in the Customer Services function are comprised of approximately:
- (i) 80% labour costs associated with customer service delivery, including responding to customer enquires, meter reading and customer account management and billing;
  - (ii) 15% postage and stationery costs for mailing of customer bills and other notifications; and (iii) 5% other non-labour costs.<sup>1</sup>
- The increase of approximately \$0.5 million between the 2025 forecast and the 2023 test year primarily reflects labour inflation over that time period, partially offset by labour efficiencies associated with the implementation of the Company's new *Customer Information System*.<sup>2,3</sup>
- b) The additional increase of \$314,000 between the 2025 and 2026 forecast reflects labour and non-labour inflation, as well as a reduction of approximately \$25,000 for postage savings related to paperless billing.<sup>4</sup>
- c) See part a) of this response. See also the responses to Requests for Information PUB-NP-016 and PUB-NP-027 for more information.

<sup>1</sup> Other non-labour costs include other company fees associated with credit and collections, travel costs and miscellaneous costs for items such as quarterly customer satisfaction surveys.

<sup>2</sup> The Company used its weighted-labour inflation rate to determine its operating labour requirements in the 2025 test year. Labour inflation is based on the Company's annual weighted-labour inflation rates over the forecast period. See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.4.1 Operating Costs*, page 2-31, footnote 57.

<sup>3</sup> See the response to Request for Information PUB-NP-016, part b).

<sup>4</sup> Paperless billing results in avoided paper and postage costs. The cost of issuing an electronic bill is over \$12 less than the cost of issuing a paper bill. Newfoundland Power currently has among the highest proportion of electronically billed customers in the Canadian electric utility sector.