

July 14, 2015

The Board of Commissioners of Public Utilities  
Prince Charles Building  
120 Torbay Road, P.O. Box 21040  
St. John's, Newfoundland & Labrador  
A1A 5B2

**Attention: Ms. Cheryl Blundon**  
**Director Corporate Services & Board Secretary**

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro - the Board's Investigation and Hearing into  
Supply Issues and Power Outages on the Island Interconnected System – Liberty Report  
Recommendations 4.3 and 4.4**

In accordance with Liberty Report dated December 17, 2014, Recommendation 4.3 "When prioritizing reliability projects, include a factor that relates cost to anticipated avoided customer interruption numbers and minutes" and Recommendation 4.4 "Increase the weighting given to resulting SAIFI, SAIDI, and number of customer interruptions and minutes when prioritizing proposed projects", please find enclosed the original plus 12 copies of Hydro's response.

We trust the foregoing is satisfactory. If you have any questions or comments, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

  
Tracey L. Pennell

Legal Counsel

TLP/cp

cc: Gerard Hayes – Newfoundland Power  
Paul Coxworthy – Stewart McKelvey Stirling Scales  
Sheryl Nisenbaum – Praxair Canada Inc.  
ecc: Roberta Frampton Benefiel – Grand Riverkeeper Labrador

Thomas Johnson – Consumer Advocate  
Thomas O' Reilly – Cox & Palmer  
Danny Dumaresque

## ADDED CRITERIA TO PRIORITIZATION CALCULATOR

### Purpose

To address Liberty's recommendations 4.3 and 4.4, Hydro recommends a change to the prioritization calculator used in the ranking of capital projects.

### Liberty's Recommendations

- 4.3 When prioritizing reliability projects, include a factor that relates cost to anticipated avoided customer interruption numbers and minutes.
- 4.4 Increase the weighting given to resulting SAIFI, SAIDI, and number of customer interruptions and minutes when prioritizing proposed projects.

### Recommended Change

Criteria 14 and 15 will be added to the prioritization calculator as shown in the following table.

Criteria		Factors	Factor Weights
14	Percent Improvement in 5-Year Average SAIDI or SAIFI (maximum weight = 50)	% SAIDI or SAIFI (0)	0
		% SAIDI or SAIFI (<5)	10
		% SAIDI or SAIFI (<10)	15
		% SAIDI or SAIFI (<15)	30
		% SAIDI or SAIFI (>15)	50
15	Estimated Project Cost Range (maximum weight = 50)	N.R.P.	0
		Cost (>\$1M)	5
		Cost (\$500K - \$1M)	15
		Cost (\$200K - \$500K)	30
		Cost (<\$200K)	50

#### **Criteria 14: Percent Improvement in Five-Year Average SAIDI or SAIFI**

- **% SAIDI or SAIFI (0)**  
This project will have no effect on the System Average Interruption Duration Index (SAIDI) or System Average Interruption Frequency Index (SAIFI). All non-reliability projects will receive this rating.

- **% SAIDI or SAIFI (<5)**  
This project is expected to improve the SAIDI or SAIFI factor by less than 5%.
- **% SAIDI or SAIFI (<10)**  
This project is expected to improve the SAIDI or SAIFI factor by less than 10% but greater than 5% is implied.
- **% SAIDI or SAIFI (<15)**  
This project is expected to improve the SAIDI or SAIFI factor by less than 15% but greater than 10% is implied.
- **% SAIDI or SAIFI (>15)**  
This project is expected to improve the SAIDI or SAIFI factor by at least 15%.

#### **Criteria 15: Estimated Project Cost Range**

- **N.R.P.**  
This project is a Non Reliability Project.
- **Cost (>\$1M)**  
The cost of the project is estimated to be more than a million dollars.
- **Cost (\$500K - \$1M)**  
The cost of the project is estimated to be between five hundred thousand and a million dollars.
- **Cost (\$200K - \$500K)**  
The cost of the project is estimated to be between two hundred and five hundred thousand dollars.
- **Cost (<\$200K)**  
The cost of the project is estimated to be less than two hundred thousand dollars.

## **Application**

Each impact of Criteria 14 and 15 will be multiplied by a confidence level to arrive at a score for each criterion. All non-reliability projects will not be impacted with these criteria but reliability projects will receive higher priority if there is to be a benefit from the project to improve either SAIDI or SAIFI, and apply whichever is greater. These criteria increase the weighting given to reliability projects in the overall prioritization of projects.

## **CONFIDENCE LEVEL**

- **Low**  
The confidence in the assessment of the impact is low. There are some uncertainties that could significantly change the assessment. The projects risks are not well defined.
- **Medium**  
The confidence in the assessment of the impact is uncertain but most likely correct. There are some uncertainties that might moderately change the assessment. The project risks are defined but with some uncertainty.
- **High**  
The confidence in the assessment of the impact is very high. The uncertainties won't measurably change the assessment. The project risks are well defined and well controlled.