

SECTION 2: CUSTOMER OPERATIONS/ RELIABILITY**Q. Reference: NLH-NP-050****In its response to NLH-NP-050, Newfoundland Power states:****In Newfoundland Power's view, better reliability performance does not directly translate to higher costs; and****As such, there are no incremental costs to customers to continue receiving current levels of reliability.**

- a) **Does Newfoundland Power agree that reliability performance, as measured by System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”), is generally correlated with the level of utility investment?**
- b) **Does Newfoundland Power agree that it is generally accepted within the utility industry that SAIDI and SAIFI are generally correlated with the level of utility investment?**
- c) **Does Newfoundland Power have any financial analysis to support the statements above made in response to NLH-NP-050? If so, please provide.**

- A. a) It is Newfoundland Power’s view that maintaining current levels of service reliability experienced by customers requires expenditures to both maintain the condition of the electrical system and support the Company’s operational response. While Newfoundland Power does agree that reducing the amount of *planned* investment in the electrical system will result in a degradation in reliability performance, this will also result in more frequent *unplanned* outages that require a costlier response. As such, the relationship between service reliability, utility investment and overall customer rates is not a direct one.

The Company’s capital planning processes and operational response are deliberate efforts to balance the cost and reliability of service provided to customers. For additional details, see the responses to Requests for Information PUB-NP-040 and PUB-NP-148.

- b) See part a).
- c) Newfoundland Power has demonstrated that, over the period 2003 to 2022, reliability improvements were realized with no increase in capital expenditure per customer.¹

Newfoundland Power also notes that, as part of its *2024 Capital Budget Application*, the Company’s contribution to revenue requirement decreased by approximately 13% when adjusted for inflation from 2015 to 2024.² The Company’s contribution to average customer rates also decreased by 10% when adjusted for inflation from 2015 to 2024.³ During this same time period, the Company’s capital investments have

¹ See the response to the Request for Information CA-NP-172, part d) filed as part of Newfoundland Power’s *2024 Capital Budget Application*.

² See Newfoundland Power’s *2024 Capital Budget Application, 2024 Capital Budget Overview*, page 11.

³ Ibid.

1 averaged over \$100 million per year, and reliability performance remained relatively
2 stable.⁴ In Newfoundland Power’s view, this demonstrates that the Company’s
3 approach to capital planning tends to minimize overall costs to customers over the
4 longer term. This is consistent with the least-cost delivery of reliable service to
5 customers.

⁴ Ibid., page 12.