

1 **Section 2: Customer Operations/Reliability**
2

3 **Q. Volume 1, Section 2, pages 2-13 to 2-23. Explain how Newfoundland Power**
4 **currently considers and balances capital and operating costs incurred for system**
5 **reliability and the customer benefits expected from incurring such costs when**
6 **setting its reliability performance targets and establishing capital and operating**
7 **budgets.**

8
9 A. Newfoundland Power is currently focused on maintaining overall levels of service
10 reliability for its customers at the lowest possible cost. Newfoundland Power intends to
11 continue managing its capital and operating costs in a manner consistent with maintaining
12 reliable, least-cost service to its customers in all operating environments and economic
13 conditions.
14

15 ***Balancing Costs and Reliability***
16

17 Approximately half of Newfoundland Power's annual capital expenditures relate to the
18 replacement of deteriorated, deficient or failed plant. The need to replace plant is
19 generally determined through inspections, condition assessments and operating
20 experience.
21

22 A variety of considerations are applied to manage capital expenditures required for plant
23 replacement. Examples include:
24

- 25 (i) An assessment of alternatives for capital projects. When multiple viable
26 alternatives are identified, a net present value ("NPV") analysis is conducted
27 to identify the least-cost solution.¹
28
29 (ii) The coordination of capital projects, when possible. This permits the
30 Company to realize productivity gains, while also reducing the requirement
31 for customer outages.²
32
33 (iii) The deferral of capital projects, when possible. Deferring capital projects
34 through routine maintenance and other means extends the useful service life
35 of electrical system assets, which can reduce costs to customers.³
36

37 These considerations ensure capital expenditures for plant replacement are undertaken at
38 the lowest possible cost consistent with reliable service.

¹ For example, see the *2024 Capital Budget Application*, report 3.1 *2024 Transmission Line Rebuild*, pages 9 to 13.

² Examples include coordination with *Additions Due to Load Growth* projects and *PCB Removal* projects. This coordination achieves efficiencies in project planning and execution. For example, it reduces costs to customers associated with the installation of portable substations.

³ For example, transmission line 146L was originally planned for rebuild in 2008, but was deferred to 2024 through routine maintenance. See the *2024 Capital Budget Application*, report 3.1 *2024 Transmission Line Rebuild*, page 9.

1 For additional detail on how Newfoundland Power’s capital planning process ensures
2 proposed capital expenditures are consistent with the least-cost delivery of reliable
3 service to customers see the response to Request for Information PUB-NP-047.
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5 Maintaining service reliability also requires maintaining a prompt response to customer
6 outages. The Company employs a skilled workforce throughout its service territory. This
7 workforce is deployed in an efficient manner using a combination of operational
8 technologies and electrical system automation.⁴
9

10 While Newfoundland Power has maintained a reasonably consistent level of service
11 reliability for its customers over the last decade, the Company provides service more
12 efficiently today than it did 10 years ago. From 2013 to 2022, Newfoundland Power
13 reduced its operating cost per customer by approximately 10% when adjusted for
14 inflation.⁵ See response to Request for Information PUB-NP-017 for additional
15 information on the specific actions taken by Newfoundland Power to ensure a continued
16 focus on operating efficiency.

⁴ See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2: Customer Operations, Operating Efficiency*, page 2-27 et seq.

⁵ See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2: Customer Operations*, page 2-27.