

1 Q. a) What is the basis for the generation reliability criterion used for
2 planning the Isolated Rural Systems?

3

4 b) Have customers indicated a willingness to pay for this level of
5 reliability?

6

7

8 A. a) The generation reliability criterion used for planning the Isolated Rural
9 Systems has been in place for more than 30 years and is similar to the
10 criterion used by other Canadian utilities that operate isolated diesel
11 systems. The planning criteria was reviewed by the Board's
12 consultant G. C. Baker in 1991, and by Quetta Inc. and Associates in
13 1999. The conclusions of these technical reviews as they relate to
14 the isolated system's planning criteria are:

15

16 "These criteria fall within the range usually adopted by major
17 utilities. The Consultant considers they constitute a reasonable
18 compromise between reliability and economy." G. C. Baker,
19 1991.

20

21 "Quetta ... has reached the conclusion that Hydro has in place
22 planning criteria and processes that are satisfactory." Quetta
23 Inc and Associates, 1999.

24

25 Also refer to the response to NP-41 NLH.

26

27 b) Based on Hydro's 2002 Residential Customer Satisfaction Survey, the
28 perceived performance of Hydro falls below customers' expectations

1 for the attribute “electricity at a reasonable cost” indicating that
2 customers are paying more than they feel they should. With respect
3 to service reliability, 94% of customers are satisfied with the supply of
4 electricity provided by Hydro and rate it as the most important attribute
5 of service from Hydro. These factors combined would indicate that
6 customers are not willing to pay more for a more reliable service, and
7 that a less reliable service is not desirable.