

1 **Q. It was stated at the Technical Conference that current rate pressures brought on by**  
2 **the Muskrat Falls Project have not influenced NP senior management’s budget**  
3 **approach and that NP senior management has not asked or demanded department**  
4 **heads to cut back on budgets in an effort to mitigate rate impacts. Has this always**  
5 **been the approach of NP senior management, or has there ever been a time in the**  
6 **past when Newfoundland Power has cut back on its spending in response to difficult**  
7 **financial times in the Province?**  
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9 **A.** The discussion that took place during the technical conference held on November 14,  
10 2019 was neither recorded nor transcribed. Unless expressly indicated in the response to  
11 this Request for Information, Newfoundland Power is not to be taken to have adopted the  
12 wording of any statement attributed to it in the question.  
13

14 Newfoundland Power’s current approach to capital budgeting is outlined in detail in  
15 response to Request for Information PUB-NP-001. Additional commentary on the  
16 Company’s approach is provided in response to Request for Information CA-NP-009.  
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18 Yes, Newfoundland Power has experience with reducing capital expenditures in response  
19 to difficult financial times in the province.  
20

21 In the early 1990s, following the cod moratorium, the Company experienced a sharp  
22 reduction in electricity sales growth.<sup>1</sup> During that period, Newfoundland Power reduced  
23 the amount of capital invested to maintain the electrical system. By 1998, the reliability  
24 of service experienced by the Company’s customers had deteriorated. A report  
25 subsequently commissioned by the Board indicated that it was important for  
26 Newfoundland Power to improve its reliability performance.<sup>2</sup>  
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28 The Company improved the reliability experienced by customers since 1998. An  
29 assessment provided as part of its *2019/2020 General Rate Application* showed the  
30 reliability experienced by its customers improved nearly 40% over two decades. It also  
31 showed the Company’s contribution to customer rates declined by 24% on an inflation-  
32 adjusted basis.<sup>3</sup> This performance is consistent with Newfoundland Power’s obligation  
33 to deliver least-cost, reliable service.<sup>4</sup> The Company’s current approach to capital  
34 budgeting underpins this performance.

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<sup>1</sup> See Muskrat Falls Rate Mitigation Hearing transcript, October 15, 2019, Byron Chubbs, page 12, line 18 *et seq.*

<sup>2</sup> See D.G. Brown, *Report on Newfoundland Light and Power Co. Limited Re Quality of Service and Reliability of Supply Prepared for the Board of Commissioners of Public Utilities Newfoundland and Labrador*, October 22, 1998, page v.

<sup>3</sup> See response to Request for Information PUB-NP-073 filed as part of Newfoundland Power’s *2019/2020 General Rate Application*.

<sup>4</sup> See Section 3(b)(iii) of the *Electrical Power Control Act, 1994*.