Q. Given the current pressures on customer rates has Newfoundland Power considered whether there is an opportunity to delay or reduce capital expenditures? For example, has Newfoundland Power considered whether continued expenditures on improved reliability initiatives (e.g., Distribution Automation) are required given Newfoundland Power's SAIDI/SAIFI metrics in comparison to the Canadian Electrical Association average for Canadian utilities?

A. Newfoundland Power is *always* required to balance the reliability and cost of the service it provides to customers.[1] The Company's approach to capital planning has tended to minimize overall costs to customers over the long term.[2]

For example, in 2021, the Company is proposing to implement a plan to replace existing street lights with LED fixtures. The capital cost of this plan is approximately $32.8 million over 6 years. Execution of this plan is forecast to reduce energy and maintenance costs to customers by $52 million over 20 years. This results in lower customer rates.

Newfoundland Power is currently focused on *maintaining* overall levels of service reliability for customers. Current levels of service reliability have been viewed as acceptable for about a decade.[3] Approximately ½ of capital expenditures proposed for 2021 are driven by the requirement to replace plant that is deteriorated or failed in service. These expenditures maintain the safety and reliability of the electrical system serving customers.

Distribution Feeder Automation is among the capital projects Newfoundland Power has implemented to *maintain* current levels of service reliability for customers at least cost. Increasing automation on the distribution system improves the Company's efficiency when responding to customer outages, particularly during significant events.[4] For example, during a severe wind storm in March 2017, the operation of 20 downline reclosers avoided over 1 million customer outage minutes without the assistance of field

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1 Section 3(b)(iii) of the *Electrical Power Control Act, 1994* requires that customers receive reliable service at the lowest possible cost.

2 Over the period 1999 to 2019, Newfoundland Power improved the service reliability experienced by its customers, while reducing the Company's contribution to customer rates. See the *2021 Capital Budget Application, Volume 1, 2021 Capital Plan, Section 2.2 Capital Investment and Customer Service* and *Section 2.3 Capital Investment and Customer Costs.*

3 In Newfoundland Power's *2010 General Rate Application*, the Company stated it considered then current levels of service reliability to be satisfactory (see Volume 1 (1st Revision), Section 2: Customer Operations, Page 2-8, Line 6). Similarly, the Company has characterized its electrical system performance as reliable in its *2013/2014 General Rate Application* (see Volume 1, Section 1: Introduction, Page 1-3, Line 10), its *2016/2017 General Rate Application* (see Volume 1 (1st Revision), Section 1: Introduction, Page 1-3, Line 11), and its *2019/2020 General Rate Application* (see Volume 1, Section 1: Introduction, Page 1-3, Line 21).

4 Over the period 2009 to 2019, Newfoundland Power's customers experienced approximately 4.7 hours of outage annually when including significant events. This compares to approximately 2.6 hours of outage under normal operating conditions over the same period.

crews.[5] Automation of the distribution system is consistent with the recommendations of the Board's consultant, The Liberty Consulting Group, in 2014.[6]

The only capital project proposed for 2021 that aims to *improve* the reliability experienced by customers is the *Distribution Reliability Initiative.*[7] This project outlines targeted capital investments in areas where customers experience service reliability significantly below the Company average. This targeted approach is consistent with maintaining acceptable levels of service reliability for all customers. The expenditures proposed under the *Distribution Reliability Initiative* for 2021 were previously approved by the Board as part of a multi-year project in Order No. P.U. 35 (2018).

Overall, each of these capital projects is consistent with providing reliable service to customers at least cost. For more information on Newfoundland Power's approach to controlling its capital expenditures, including deferring capital expenditures, see response to Request for Information PUB-NP-001.

[5] Report *4.5 Distribution Feeder Automation* filed as part of the Company's *2020 Capital Budget Application* outlined various customer and operational benefits associated with distribution system automation. See response to Request for Information CA-NP-050 for additional information on why this project cannot be deferred.

[6] Increasing the level of automation in the distribution system is consistent with Recommendation 2.4 of The Liberty Consulting Group's *Report on Island Interconnected System to Interconnection with Muskrat Falls addressing Newfoundland Power*, December 17, 2014.

[7] See the *2021 Capital Budget Application, Volume 2, report 4.1 Distribution Reliability Initiative.*