

1 **Q. (Reference Application) The 2022 Capital Budget Application stated 28 times**  
 2 **in Schedule B “This project is justified on the obligation to provide reliable**  
 3 **service to customers at least cost and cannot be deferred.” In the 2023 Capital**  
 4 **Plan (page 2) it is stated “The Electrical Power Control Act, 1994 contains the**  
 5 **provincial power policy. Among other provisions, the provincial power policy**  
 6 **requires that power be delivered to customers at the lowest possible cost**  
 7 **consistent with reliable service.”**

8  
 9 **a) Specifically, what is Newfoundland Power’s mandate?**

10 **b) Provide Newfoundland Power’s definition of “reliable service” and all**  
 11 **reliability criteria used to define “reliable service”.**

12 **c) Is it a requirement under the Provisional Capital Budget Guidelines that**  
 13 **Newfoundland Power provide service commensurate with the value its**  
 14 **customers place on the service?**

15  
 16 A. a) Newfoundland Power is a public utility within the meaning of the *Public Utilities*  
 17 *Act* (the “Act”).<sup>1</sup> The Company is the primary distributor of electricity in the  
 18 province of Newfoundland and Labrador, serving 87% of all customers in the  
 19 province.

20  
 21 Newfoundland Power’s mandate is to provide service to customers in a manner  
 22 consistent with the provisions of the Act and the *Electrical Power Control Act,*  
 23 *1994* (the “EPCA”).

24  
 25 The Act requires a public utility to provide service and facilities that are  
 26 reasonably safe and adequate and just and reasonable.<sup>2</sup>

27  
 28 The EPCA establishes the provincial power policy. The provincial power policy  
 29 requires, among other provisions, that all sources and facilities for the  
 30 production, transmission and distribution of power in the province should be  
 31 managed and operated in a manner that would result in:

- 32  
 33 (i) The most efficient production, transmission and distribution of power;  
 34 (ii) Consumers in the province having equitable access to an adequate supply  
 35 of power; and  
 36 (iii) Power being delivered to consumers in the province at the lowest possible  
 37 cost consistent with reliable service.<sup>3</sup>

38  
 39 b) Newfoundland Power defines its current service delivery as reliable.

40  
 41 In 1998, the Board retained a consultant to review and report on the quality of  
 42 service provided by Newfoundland Power to its customers. The Board’s  
 43 consultant recommended that the Company seek to improve the service reliability

1 See section 2(1)(h)(i) of the Act.

2 See section 37(1) of the Act.

3 See section 3(b) of the EPCA.

1 experienced by its customers.<sup>4</sup> At that time, Newfoundland Power's customers  
2 were experiencing an average of 4.5 hours of outage annually.<sup>5</sup> This compared  
3 to a Canadian average of 3.1 hours.<sup>6</sup>  
4

5 Newfoundland Power subsequently worked to improve the service reliability  
6 experienced by its customers. Over the last decade, the Company's customers  
7 experienced an average of 2.6 hours of outage annually. This represents a 42%  
8 improvement over 1990s levels and is better than the Canadian average of 5.0  
9 hours over the same period.<sup>7</sup>  
10

11 Newfoundland Power has viewed current levels of service reliability as acceptable  
12 for about a decade.<sup>8</sup> The Company's performance has been reasonable in  
13 comparison to the Canadian average and customers have indicated a reasonable  
14 level of satisfaction with its service delivery over this period.<sup>9</sup>  
15

16 Newfoundland Power is focused on maintaining current levels of service reliability  
17 for its customers at the lowest possible cost. The Company applies condition-  
18 based, cost-based and risk-based criteria when undertaking capital projects to  
19 maintain its electrical system. The specific criteria applied for capital projects  
20 varies depending upon the asset that requires investment and the nature or  
21 justification of a particular project.  
22

23 As examples, condition-based criteria are applied during inspections, condition  
24 assessments, and engineering reviews.<sup>10</sup> Cost-based criteria are applied in  
25 evaluating viable alternatives and to confirm whether a project, such as  
26 extending the service life of a hydro plant, will provide an economic benefit for  
27 customers.<sup>11</sup> Risk-based criteria are applied when assessing the probability that  
28 an asset will fail and the potential consequences on the service provided to

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<sup>4</sup> See D.G. Brown, P. Eng., *Report on Newfoundland Light and Power Co., Limited Re Quality of Service and Reliability of Supply*, page v.

<sup>5</sup> Over the period 1993 to 1997, Newfoundland Power's System Average Interruption Duration Index ("SAIDI") was 4.5 hours under normal operating conditions. Normal operating conditions do not include outages related to significant events or loss of supply.

<sup>6</sup> Over the period 1993 to 1997, the SAIDI for Canadian Electricity Association ("CEA") Region 2 utilities was 3.1 hours. CEA Region 2 utilities serve a mix of urban and rural customers and include Newfoundland Power.

<sup>7</sup> Over the period 2012 to 2021, Newfoundland Power's SAIDI was 2.6 hours  $((4.5 - 2.6) / 4.5 = 42\%)$ . The Canadian average SAIDI was 5.0 hours over the same period.

<sup>8</sup> 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), its *2019/2020 General Rate Application* (see *Volume 1, Section 1: Introduction*, page 1-3, line 21), and in its *2022/2023 General Rate Application* (see *Volume 2, Section 1: Introduction*, page 1-3, line 21).

<sup>9</sup> Since 2012, customers' satisfaction with Newfoundland Power's service delivery averaged approximately 86%.

<sup>10</sup> See, as examples, responses to Requests for Information: (i) CA-NP-055 on the *Walbournes Substation Refurbishment and Modernization* project; (ii) CA-NP-119 on the *Mobile Hydro Plant Refurbishment* project; and (iii) CA-NP-111 on the *Transmission Line Rebuild* project.

<sup>11</sup> See, for example, the *2023 Capital Budget Application*, report *3.1 2023 Transmission Line Rebuild, Section 4.0 Assessment of Alternatives*.

1 customers.<sup>12</sup> Together, these criteria allow Newfoundland Power to meet its  
2 objective of maintaining reliable service for its customers at the lowest possible  
3 cost.  
4

5 For additional information on how the Company balances the cost and reliability  
6 of the service provided to its customers, see the *2023 Capital Budget Application*,  
7 *2023 Capital Budget Overview, Section 2.3 Balancing Cost and Service* and the  
8 response to Request for Information CA-NP-011.  
9

- 10 c) It is a requirement of the Provisional Guidelines that "*the proposals are*  
11 *reasonable and necessary for the provision of service at the lowest possible cost*  
12 *consistent with reliable service.*" This requirement is consistent with  
13 Newfoundland Power's mandate and the provisions of the Act and EPCA. See  
14 part a).

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<sup>12</sup> For a discussion of Newfoundland Power's risk matrix methodology, see the *2023 Capital Budget Application*, *2023 Capital Budget Overview*, Appendix C.