Q: (Liberty December 17, 2014 Report to Board on *Supply Issues and Power Outages Review Island Interconnected System* addressing Newfoundland and Labrador Hydro) The report states (Section 4.6, page 71): "*Many utilities conduct programs focused just on worst performing feeders, in order to mitigate future customer interruption numbers and durations. Such programs do not make cost a material factor in capital planning for such feeders*". Does Liberty believe that the value customers place on reliability (i.e., rate impact and customer willingness to pay) is an important factor in such programs? Is Liberty aware of any utilities that consider customer value? If so, please provide examples.

A. Utilities should consider, and it is proper for stakeholders to urge before regulators, the value to be placed on reliability. Doing so in an objective, quantifiable fashion is not practicable. Liberty believes that utilities, regulators, and stakeholders overwhelmingly consider that value in a subjective manner.

There have been studies as far back as the early 1980s, under the auspices of the Electric Power Research Institute (EPRI), on the issue of quantifying the cost of outages and reliability. The results of those early studies were that such economic effects were value based, and highly subjective. Values differed not only among customer classes (*e.g.*, residential vs. industrial) but also within these classes. For example, some residential customers did not mind occasional outages, others placed unrealistically high value on even a single outage. We are not aware of particular metrics or other objective standards for measuring that value in comparison to the costs of providing it.