

1 **Q: Reference: Liberty Consulting Report, August 19, 2016, Review of**
2 **Newfoundland and Labrador Hydro Power Supply Adequacy and Reliability**
3 **Prior to and Post Muskrat Falls Final Report**
4

5 **On page 81 it is stated:**

6 *"When the detailed analyses are done, however, the remaining questions of*
7 *customers and other stakeholders are very simple: How often will the lights go out*
8 *from system-related failures? Is that frequency of outages acceptable?"*
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10 **On page 88 it is stated:**

11 *"The high construction costs of Muskrat Falls and its associated transmission will*
12 *influence Hydro's financial structure for decades, with the large increase in rate*
13 *base causing a substantial impact on what customers pay. This factor also has the*
14 *potential to limit Hydro's financial flexibility in the future to an as-yet*
15 *undetermined extent. These questions are crucial to future operation and of*
16 *paramount interest to stakeholders. They are, however, outside the scope of this*
17 *report."* **Were costs and benefits a consideration in Liberty's study of reliability**
18 **on the Island Interconnected System both pre- and post-Muskrat Falls?**
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21 **A.** System reliability is a continuing evaluation and trade-off between costs and the
22 resulting reliability benefits. In Liberty's opinion, it would be irresponsible to
23 analyze reliability and to make recommendations without sensitivity to the costs
24 required to implement those recommendations.
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26 The major cost impacts of Liberty's recommendations, should they be accepted, will
27 result from new supply needs. Such costs could potentially amount to many hundreds
28 of millions of dollars. In its decision-making processes, Hydro will have to evaluate
29 the anticipated benefits against the impact on the customer of such costs. Hydro is
30 already committed to \$10 billion or more on this project, yet that commitment will
31 not result in a level of reliability that we believe will be acceptable to stakeholders.
32 There should be, in Liberty's opinion, consideration of the incremental addition
33 required to address the reliability concerns discussed in Liberty's report.