

1 Q. It is understood that Hydro has changed its generation planning criteria to an LOLE of 0.1.
2 Further it is understood that this criterion was chosen as it is a generally accepted industry
3 standard. Please confirm or deny the accuracy of this statement and explain how it ties in with
4 customer willingness to pay for reliability. What is the expected cost to customers of this change
5 in generation planning criteria and how does it compare to the value customers place on the
6 expected reduction in unsupplied energy?

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9 A. Newfoundland and Labrador Hydro (“Hydro”) confirms that the statement is accurate. A Loss of
10 Load Expectation (“LOLE”) of 0.1 was proposed as the reliability metric for the future system as
11 the LOLE of 0.1 is generally accepted as industry standard and compliance with the LOLE of 0.1
12 metric was well observed in the review of the practices of other utilities.

13 Hydro is responsible for providing least-cost service consistent with reliable service. While Hydro
14 recognizes customer input as an important aspect in its decision making regarding future
15 investment, Hydro has a duty to establish, and ensure accordance with, a baseline of system
16 planning requirements which must be satisfied for the system to be considered reliable. It is
17 Hydro’s view that upon full integration of the Lower Churchill Project assets and the associated
18 interconnections to the North American market it is appropriate to adopt resource planning
19 criteria consistent with good utility practice. Given the prevalence of the LOLE of 0.1 metric in
20 industry, Hydro presents the metric as representative of good utility practice from a resource
21 planning perspective.

22 In the current study, resource plans have not been developed to satisfy the existing planning
23 criteria of Loss of Load Hours of 2.8, and as such, Hydro cannot provide a comparison of
24 expected costs. Compliance with more stringent criteria, in this case with the LOLE of 0.1, results
25 in the advancement of costs for customers as it advances the requirement for incremental
26 resources. However, given that compliance with the LOLE of 0.1 is widely observed across
27 industry and considered to be good utility practice, it is Hydro’s opinion that the resultant
28 advancement of costs is appropriate.