

1 **Q. Pages 2-22 - 2-25: Explain how Newfoundland Power weighs and/or balances**  
2 **reliability improvement for customers versus the cost of providing an improvement**  
3 **in reliability when considering operating and capital projects.**  
4

5 A. Newfoundland Power focuses on managing its overall operations in a manner that  
6 balances service reliability and cost, including when considering capital projects and any  
7 changes in operational requirements.  
8

9 Service reliability is principally a reflection of the general condition of the electrical  
10 system. For that reason, the standards applied when constructing and maintaining the  
11 electrical system significantly affect the reliability experienced by customers. National  
12 standards require that Newfoundland Power's electrical system be constructed to reflect  
13 the harsh weather conditions experienced throughout the Company's service territory.  
14 This contributes to Newfoundland Power's reliability performance relative to its  
15 Canadian peers.<sup>1</sup>  
16

17 Electrical systems, including Newfoundland Power's, are prone to deterioration over  
18 time. The Company applies annual inspection and maintenance guidelines that identify  
19 assets that have deteriorated or are near the end of their useful service lives.<sup>2</sup> Necessary  
20 replacements or refurbishments are then scheduled. Completing scheduled replacements  
21 and refurbishments is more cost-effective than addressing in-service equipment failures  
22 outside of normal business hours in order to restore service to customers. Newfoundland  
23 Power views the proactive replacement and refurbishment of assets that have deteriorated  
24 or are near the end of their useful service lives as consistent with the least-cost delivery of  
25 reliable service.  
26

27 When undertaking capital projects specifically aimed at improving reliability, the  
28 Company focuses on areas where customers are most affected by outages.  
29 Newfoundland Power operates over 300 distribution feeders and the age and condition of  
30 these assets vary. The reliability performance of each distribution feeder is analyzed  
31 annually. Engineering assessments are then completed, when necessary, to identify  
32 whether capital improvements would benefit customers in areas with below-average  
33 reliability. Focusing capital investments in areas with below-average reliability, when  
34 supported by engineering assessments, is consistent with the delivery of reliable service  
35 at least cost.  
36

37 All capital projects aimed at addressing deterioration or improving reliability are detailed  
38 in the Company's annual capital budget applications. When required, competitive  
39 tendering processes are used to procure the necessary goods and services. This practice  
40 ensures that approved capital projects are executed at least cost.

---

<sup>1</sup> More information on Newfoundland Power's reliability performance relative to other Canadian utilities is provided in response to Request for Information CA-NP-023.

<sup>2</sup> More information on the Company's standards and guidelines is provided in response to Request for Information CA-NP-023.

1 While improvements in service reliability are principally achieved through capital  
2 projects, maintaining the general condition of the electrical system also has a positive  
3 impact on operating costs. For example, Newfoundland Power maintains the necessary  
4 field response capabilities to provide reliable and responsive service to customers  
5 throughout its 70,000km<sup>2</sup> service territory. Over the last 20 years, the Company's  
6 reliability performance has improved, while operating costs per customer have decreased  
7 by 23% on an inflation-adjusted basis over the same period. This is one indicator that  
8 Newfoundland Power has effectively balanced service reliability and sound cost  
9 management in its overall operations. For more information, see response to Request for  
10 Information PUB-NP-003.