

1 **Q.** (Application Volume 1, page 2-24) It is stated “*The most recent independent review*
2 *of Newfoundland Power’s operations was conducted in 2014. The review found that*
3 *the Company uses an effective combination of periodic inspections, maintenance and*
4 *capital investments.” Effective from what perspective? What cost metric did*
5 *Liberty use in its review? For example, did Liberty conduct its review with respect*
6 *to customer willingness to pay, or was cost completely ignored in the Liberty*
7 *review? Does an operations review without considering cost provide any*
8 *meaningful value?*

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10 **A.** The independent review referenced in this Request for Information was conducted by the
11 Board’s consultant, The Liberty Consulting Group (“Liberty”). Accordingly, the
12 perspective referenced is that of Liberty. Liberty’s perspective was based on its
13 experience in “*servicing utility regulators for more than 25 years, working on hundreds of*
14 *projects across the full range of areas involved in ensuring safe, reliable, and cost*
15 *effective utility service.*”¹

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17 Liberty’s review was conducted following widespread customer outages in January 2014
18 known as #darkNL. This was a 7-day period during which 75% of the Company’s
19 customers experienced rotating power outages. The event occurred during cold
20 temperatures, posed serious risks to public health and safety, and was not viewed as
21 acceptable by customers.²

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23 Liberty found that #darkNL was caused by the insufficiency of generating resources and
24 issues with the operation of key transmission assets by Newfoundland and Labrador
25 Hydro.³ Inadequate maintenance practices contributed to these supply-related failures.

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27 With respect to Newfoundland Power, Liberty stated:

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29 *“Newfoundland Power’s reliability has improved significantly since 1999*
30 *and has recently remained stable overall. Its transmission and distribution*
31 *systems operate effectively in ensuring adequate service reliability.*
32 *Effective maintenance and capital programs, that appropriately recognize*
33 *the age of its assets, have contributed materially to improved reliability.”*⁴

¹ See Liberty’s *Report on Island Interconnected System to Interconnection with Muskrat Falls addressing Newfoundland Power*, December 17, 2014, page ES-1.

² Of 44 quarterly surveys completed over the period 2010 to 2020, the lowest level of customer satisfaction recorded was during the first quarter of 2014. This survey followed #darkNL. Customer satisfaction was 82% during that quarter. This compares to average customer satisfaction of 87% over the period 2010 to 2020.

³ See Liberty’s *Report on Island Interconnected System to Interconnection with Muskrat Falls addressing Newfoundland Power*, December 17, 2014, page ES-1

⁴ *Ibid.*, page ES-2.

1 Costs were considered in Liberty’s review. For example, with respect to
2 Newfoundland Power, Liberty stated:

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4 *“Annual capital strategies include measures (Transmission Rebuild*
5 *Strategy, Rebuild Distribution Lines Projects, Distribution Reliability*
6 *Initiative, and Substation Refurbishment and Modernization Strategy) well*
7 *targeted to the needs of its equipment. Asset management strategies have*
8 *promoted improved system reliability since 1998, **while keeping annual***
9 ***capital T&D expenditures under control.**”⁵ [emphasis added]*

⁵ Ibid., pages 51 to 52.