

1 **Q. As stated in the Liberty Interim Report (page ES-2): “*Liberty believes it is time to***  
 2 ***reassess the service reliability and cost balances that underlie the decisions on what***  
 3 ***level of supply resources to make available”.* What does NP use as a guide when**  
 4 **considering decisions on cost trade-offs between improved reliability and impacts on**  
 5 **customer costs and rates? Please provide copies of all studies undertaken by NP to**  
 6 **determine customer willingness to pay for reliability improvements. Does NP have**  
 7 **plans to undertake studies relating to customer willingness to pay in the future? Is**  
 8 **NP aware of any such studies carried out elsewhere in North America?**

10 A. Newfoundland Power observes that the comments quoted from the Liberty Interim  
 11 Report relate to resource planning for the Island Interconnected System. Important  
 12 elements of the context of these comments, in Newfoundland Power’s view, are (i) the  
 13 events of January 2013 and January 2014 and (ii) the imminent interconnection of the  
 14 Island Interconnected System to the North American grid.<sup>1</sup>

16 Newfoundland Power is uncertain the degree, if any, to which any assessment of  
 17 distribution system reliability cost benefit analysis would be relevant to the reassessment  
 18 that Liberty has recommended.

20 Any assessment or study of customer willingness to pay for reliability improvements that  
 21 does not consider the customer distress experienced in January 2014 appears to  
 22 Newfoundland Power to be of limited use in guiding the reassessment that Liberty has  
 23 recommended.

25 Newfoundland Power does not use a guide when considering decisions on cost trade-offs  
 26 between improved reliability and impacts on customers’ costs and rates. Newfoundland  
 27 Power has not conducted studies to determine customer willingness to pay for reliability  
 28 improvements nor is the Company aware of any such studies.

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<sup>1</sup> In Newfoundland Power’s Interim Report it was indicated that a review of resource planning and associated reliability issues for the Island Interconnected System has not been undertaken by the Board. See Newfoundland Power’s Interim Report, March 24<sup>th</sup>, 2014, *Supply Planning for the Island Interconnected System*, page 47, *et. seq.*