

1 Q. Reliability can always be enhanced at additional cost. For example, the reliability of  
2 the power system is improved post Muskrat Falls if Holyrood TGS remains in service  
3 (CA-NLH-81). How does a utility determine if it has reached the point of diminishing  
4 returns when it comes to reliability expenditures?

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7 A. Typically, utilities do not try to determine if they have reached the point of  
8 diminishing returns when it comes to reliability expenditures. One reason for this is  
9 that it is very difficult to determine the benefit, monetary and otherwise, of  
10 increasing the reliability of a system (i.e., reducing the frequency and length of  
11 outages) by a given amount. As well, the benefit may not be the same for each  
12 ratepayer, who will ultimately pay these expenditures.

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14 On the island of Newfoundland, a loss-of-load-expectation of one day in five years  
15 (which is equivalent to an LOLH of 2.8 hours per year) has been used as the  
16 reliability standard for a number of years. See also Section 3.1.1.2 (Pages 10 – 17) of  
17 *Newfoundland and Labrador Hydro's Response to the Phase 1 Report by Liberty*  
18 *Consulting*, dated February 5, 2015.