

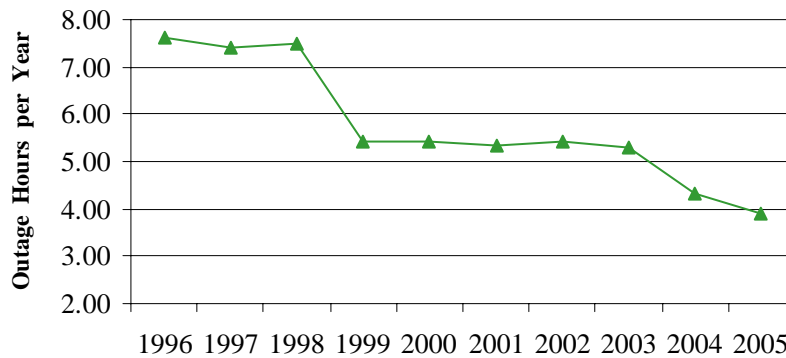
1 **Q. What is Newfoundland Power Inc.'s target SAIDI and how is this target tied to the**  
2 **value customers place on reliability (2007 Capital Budget Plan, Graph 2, page 2)?**

3  
4 A. Customers consistently rank reliability as one of the most important aspects of customer  
5 service. The *Electrical Power Control Act, 1994*, states, in effect, that customers should  
6 pay the lowest possible cost for electricity that is consistent with reliable service.  
7

8 Newfoundland Power's target SAIDI for 2006 is 3.98 outage hours per customer. This  
9 target is the average of the previous three years actual SAIDI less interruptions due to  
10 loss of supply from Newfoundland and Labrador Hydro. This target is used internally by  
11 Newfoundland Power to improve the performance of the electrical system over time. The  
12 target is not explicitly linked to a value customers place on reliability.  
13

14 The 2007 Capital Budget Plan, Graph 2, page 2 highlights the improvement in Five Year  
15 Average SAIDI made by Newfoundland Power over the period 1996 to 2005. The 2007  
16 Capital Budget Plan, Graph 2, page 2 SAIDI data for Newfoundland Power is reproduced  
17 below as Graph 1.  
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**Graph 1**  
**5 Year Average SAIDI<sup>1</sup>**



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22 Graph 1 indicates that Newfoundland Power's electrical system performance has  
23 improved over the 10 year period ending in 2005.  
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31 <sup>1</sup> SAIDI refers to System Average Interruption Duration Index.  
32

1 Customers also rank price as one of the most important aspects of customer service.  
2 Table 1 shows Newfoundland Power’s gross operating expenses<sup>2</sup> for 1996 and 2005.

<b>Table 1</b>		
<b>Gross Operating Expense</b>		
<b>(\$000s)</b>		
	<b>1996</b>	<b>2005</b>
Operating Expense	59,927	55,827

5  
6  
7 Table 1 indicates that in 2005, gross operating expenses were \$4.1 million less than in  
8 1996. This does not include any adjustment for inflation effects. In the period between  
9 1996 and 2005 inflation was approximately 20%.

10  
11 Part of Newfoundland Power’s ability to effectively manage operating cost is related to  
12 the condition of its electrical assets. Newfoundland Power’s approach to capital  
13 investment balances the maximization of asset lives with the proactive replacement of  
14 deteriorated or inefficient plant. This, in turn, has delivered tangible benefits for  
15 customers through both lower cost and improved electrical system reliability.

16  
17 Newfoundland Power manages its business with due regard for its customers’  
18 expectations of reliability and price. But it does not employ the linkage suggested by the  
19 question to do so. However, Newfoundland Power’s progress in delivering least cost  
20 reliable power to its customers is observable.

21  
22 If the impact of increases in purchased power is excluded, the net impact of  
23 Newfoundland Power’s costs (both capital and operating) on the retail rates customers  
24 paid over the period 1996 to 2005, has been essentially flat.

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<sup>2</sup> Gross operating expenses is the total operating expense of the Company before transfers associated with capitalized general expenses (GEC).