

1 **Q. (page 3-24, lines 20 to 22) It is stated “The cost of serving a declining number of**  
2 **customers in rural areas will put increased pressure on the Company’s ability to**  
3 **recover the investment in assets required to serve those customers”. What steps is NP**  
4 **taking to reduce capital expenditures and the associated risk that it will not recover**  
5 **such capital investments?**

6  
7 A. As a public utility in the Province of Newfoundland and Labrador, Newfoundland Power  
8 is required to provide service to customers in accordance with the provisions of the  
9 *Electrical Power Control Act, 1994* (the “EPCA”).

10  
11 Section 3 of the EPCA states:

12  
13 “(b) *all sources and facilities for the production, transmission and*  
14 *distribution of power in the province shall be managed and*  
15 *operated in a manner...*

16  
17 (ii) *that would result in consumers in the province having*  
18 *equitable access to an adequate supply of power.”*

19  
20 Newfoundland Power invests capital on an annual basis to maintain the condition of the  
21 electrical system and deliver reliable service to customers at least cost.<sup>1</sup> These capital  
22 expenditures are based on effective maintenance and capital programs that are applied  
23 equitably to electrical system assets located throughout the Company’s service territory.<sup>2</sup>

24  
25 Reducing capital expenditures that are necessary to maintain the electrical system in rural  
26 areas would negatively impact reliability for the Company’s rural customers. Such an  
27 approach would contribute to an inequitable supply of power to Newfoundland Power’s  
28 customers and is not consistent with the requirements of the EPCA.

---

<sup>1</sup> The Company’s 2018 Capital Budget Application was approved in Order No. P.U. 37(2017). Approximately 54% of the Company’s planned capital expenditures for 2018 are related to the replacement of plant.

<sup>2</sup> On page ES-2 of its *Report on Island Interconnected System to Interconnection with Muskrat Falls addressing Newfoundland Power*, December 17, 2014, The Liberty Consulting Group states: “*Newfoundland Power’s reliability has improved significantly since 1999 and has recently remained stable overall. Its transmission and distribution systems operate effectively in ensuring adequate service reliability. Effective maintenance and capital programs, that appropriately recognize the age of its assets, have contributed materially to improved reliability.*”