Q. (Reference CA-NP-078) It is stated *"The replacement penstock will have a very low risk of failure."* Please confirm that while the risk of failure is low, it is greater than zero, and the only way to reduce the risk to zero would be to remove the penstock and associated power production component of the plant.

A. Newfoundland Power can confirm that, while the risk of failure of the replacement penstock is very low, it is greater than zero.

Newfoundland Power operates its hydro generation facilities in a manner that ensures that the risk of component failure is maintained at an acceptable level, including the risk of environmental damage as discussed in response to Request for Information CA-NP-078. This is achieved by: (i) designing and constructing components to the appropriate engineering standards, including obtaining the appropriate environmental permitting; (ii) inspecting and maintaining the facilities based on utility best practices; and (iii) replacing components that have reached the end of their useful lives.

Newfoundland Power can confirm that removing the penstock and associated power production component of the plant would reduce the risk of failure of those components to zero.

However, as shown in the *Sandy Brook Plant Penstock Replacement* report, the benefits of production from Sandy Brook Plant exceed its cost of production by between 7.04 and 10.21 cents per kWh.[1] The report shows that the replacement of the wood stave penstock with a modern alternative, such as steel or fibreglass, significantly reduces the risk of failure and environmental damage, while ensuring the continued availability of low-cost energy to the Island Interconnected System. This is consistent with Newfoundland Power's obligation to provide least-cost, reliable service to customers.

[1] See the *2022 Capital Budget Application, Report 1.2 Sandy Brook Plant Penstock Replacement*, page A-5.