

1 Q. **Reference: Schedule 1 2024 Capital Budget Overview, Page 1, lines 7-12**

2 Hydro stated that a key area of strategic focus is balancing management of aging infrastructure
3 with its mandate. Explain how Hydro evaluates the age of the asset as a consideration in
4 determining whether to plan capital work on an asset. Include in the response the other factors
5 Hydro considers in determining whether to plan capital work on an asset and how it weighs or
6 evaluates the various factors.

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9 A. Newfoundland and Labrador Hydro (“Hydro”) takes into consideration a range of criteria,
10 including age, when evaluating an asset and determining whether to plan capital work. These
11 criteria include but are not limited to:

- 12 ● Age in comparison to industry standards and original equipment manufacturer (“OEM”)
13 recommendations;
- 14 ● Obsolescence or end of service life;
- 15 ● Technical suitability due to changing operational requirements;
- 16 ● Inability to perform intended business requirements due to changing needs and
17 technologies;
- 18 ● Operating hours, starts, and number of operations. This is compared to OEM
19 recommendations and industry practices;
- 20 ● Preventive and corrective maintenance records to determine the age in the asset life
21 cycle;
- 22 ● Internal engineering inspections and analysis of the assets; and
- 23 ● Condition assessments performed by third-party consultants.

24 In most cases, age is not the sole factor in determining if capital work is required. Which criteria
25 are considered and how it is applied varies by asset and is based on industry practice, OEM
26 recommendations, and Hydro experience. Historical experience and expertise on how Hydro

1 operates its specific assets also play a significant role in the final proposal. Industry practice and
2 OEM recommendations are based on certain operating criteria and environments that may not
3 reflect that of the equipment in use by Hydro.