

1 Q. Schedule 1, Page 12, Lines 14-15. The Application states that "The incremental cost associated
2 with a 545 kW unit provides a Risk-Spend Efficiency of 23.8 per million dollars." Please provide
3 the details of the calculation of the 23.8 per million-dollar figure.

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6 A. Newfoundland and Labrador Hydro ("Hydro") considers the selection of the larger unit to be a
7 cost-effective means to reduce the risk of being unable to accommodate load growth above and
8 beyond what is currently reflected in its forecast. Quantitatively, Hydro has assumed that the
9 selection of a 545 kW unit reduces this risk from a likelihood score of 3 (10%–50% probability of
10 occurrence) to a 2 (1%–10% probability of occurrence), with the impact of a capacity shortfall or
11 inability to connect a customer as an impact score of 3. Hydro therefore calculated the pre-
12 implementation risk score as 9, and the post-implementation risk score as 6, for a risk mitigated
13 of 3. To obtain the risk mitigated per million dollars, consistent with the Capital Budget
14 Application Provisional Guidelines, Hydro divided this risk mitigated figure by the incremental
15 Cumulative Present Worth cost of the 545 kW unit, or \$0.126 million, resulting in a risk
16 mitigated per million dollars of 23.8.