

1 Q. Reference: Schedule 1, Attachment 11, Section 15.4, Page 22 of 29.

2 a) Are these risks considered to be tactical or strategic risks?

3 b) Will any cost associated with these risks be covered by Contingency or Management
4 Reserve?

5

6

7 A. a) The risks shown in the referenced document would generally be considered strategic¹ in
8 nature and do not represent a comprehensive list of the risks that were assessed and
9 included in the Quantitative Risk Assessment (“QRA”). Please refer to Newfoundland and
10 Labrador Hydro’s (“Hydro”) response to PUB-NLH-015 of this proceeding for the list of
11 strategic risks that were used in the QRA.

12 b) During the project estimating phase, Hydro evaluated risks through a QRA process and
13 conducted a Monte Carlo Simulation (“MCS”) to determine the probability of executing the
14 project within various risk tolerances. This is considered good practice, with the Association
15 for the Advancement of Cost Engineering having published both a Professional Guidance
16 Document (PGD-02) as well as a significant number of recommended practices (in excess of
17 ten) on the topic of QRA, most of which additionally recommend the use of MCS.

18 The QRA process used involves the evaluation of both tactical and strategic risks. In this
19 particular process, strategic risks only contribute to the determination of recommendations
20 for management reserve. [REDACTED]

21 [REDACTED] if any
22 of the identified strategic risks result in increased costs to the proposed project, Hydro

¹ Strategic risks include risks that are outside of the control or influence of the project team and would be used in the calculation of Management Reserve.

² “Section Replacement and Weld Refurbishment – Bay d’Espoir Penstock 3,” Newfoundland and Labrador Hydro, March 12, 2026, sch. 1, s. 7.7, p. 30.

- 1 would need to follow the currently established practice and guidelines to obtain the
- 2 requisite approval to proceed.