

1 Q. **Reference: Application**

2 In the Provisional Guidelines it is stated (pages 16 and 17 of 18) with respect to the assessment
3 of alternatives *“Projects and programs shall be evaluated for risk mitigation in the following*
4 *categories: 1) Reliability 2) Safety 3) Environment. Risk mitigation shall be calculated as the*
5 *difference in risk before and after the proposed alternatives were implemented. The calculation*
6 *of risk shall conform to an internationally recognized standard for calculating risk.”* It is
7 understood that Hydro is unable to quantify 1) the risk mitigation value provided by its asset
8 management program (i.e., the difference between baseline risk and residual risk) and 2) the
9 reliability improvement resulting from the asset management program used to develop the
10 2027 CBA. When does Hydro expect to be in a position to do so?

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13 A. Newfoundland and Labrador Hydro (“Hydro”) does not agree with the premise that it is unable
14 to quantify the risk mitigation value provided by its asset management program. Hydro’s Capital
15 Risk Assessment process provides a pre-implementation risk score, a post-implementation risk
16 score, and the resulting risk mitigation value for applicable projects and programs. Hydro also
17 calculates risk mitigated per \$1 million of expenditure. These values are provided in Appendix G
18 of Schedule 1 and, for proposals over \$750,000, within the applicable project and program
19 reports in Schedule 7 of the 2027 Capital Budget Application (“CBA”). Hydro’s approach is
20 consistent with that used in previous CBAs.

21 Hydro is not currently able to quantify a discrete reliability improvement attributable to each
22 individual asset investment, or to aggregate such values to quantify the reliability improvement
23 resulting from its overall asset management program. As previously stated, the relationship
24 between individual assets and system reliability is often indirect and complex, and Hydro does
25 not presently have sufficient asset-level data, metrics, and processes to establish such a
26 measure. Reliability is, however, explicitly incorporated within Hydro’s Capital Risk Assessment
27 process and is therefore considered in the prioritization and evaluation of capital investments.

1 Hydro continues to mature its asset management systems and information base, including
2 processes intended to improve asset and maintenance data and strengthen the linkage between
3 maintenance activities, asset condition, equipment health monitoring, and long-term capital
4 planning. Hydro has also enhanced its distribution outage database to support more detailed
5 analysis of customer-impact outage events. Hydro expects these improvements to progressively
6 enhance its ability to assess the reliability impacts of capital investment; however, given the
7 complexity of establishing direct causal relationships between individual asset interventions and
8 system-level reliability outcomes, Hydro cannot provide a definitive date by which such
9 reliability improvement will be quantifiable for all projects and programs.