

1 Q. **Reference: Application, Schedule 1, page 37, footnote 69; Schedule 1, Appendix G**

2 Footnote 69 states: “Hydro is unable to provide a prioritization of projects and programs by
3 reliability improvement per dollar spent.” Appendix G assigns Refurbish MD-1 (2027–2030) –
4 Ebbegunbaeg a risk-mitigated-per-\$1 million score of 0.9. Telecommunications In-Service
5 Failures (2027) is scored 101.0. Perform Minor Telecommunications Enhancements (2027) is
6 scored 76.4.

- 7 a) Please confirm that footnote 69 remains Hydro’s position and explain what decision
8 information is unavailable as a result.
- 9 b) Please provide the inputs and calculation for the three scores stated above.
- 10 c) Please explain whether scores are comparable across safety, reliability, environmental,
11 and business-risk consequences and across programs of different purpose and
12 materiality. Identify any normalization or qualitative override.
- 13 d) Please provide Appendix G in native Excel format and identify the decision rule used to
14 select or defer 2027 work when score, consequence, and expenditure rank differently.

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17 A. a) Confirmed. Footnote 69 remains Newfoundland and Labrador Hydro’s (“Hydro”) position.
18 Hydro is currently unable to provide a prioritization of individual programs and projects
19 based on quantified reliability improvement per dollar spent because the relationship
20 between an individual asset intervention and system-level reliability is often indirect and
21 complex. Hydro therefore does not have a project-level measure, such as an incremental
22 change in SAIDI,¹ SAIFI² or another system reliability metric, that can be attributed to every
23 individual capital expenditure and divided by the associated project cost.

24 This limitation does not prevent Hydro from assessing the reliability risk associated with a
25 proposed investment. Hydro’s Capital Risk Assessment evaluates the pre- and post-

¹ System Average Interruption Duration Index.

² System Average Interruption Frequency Index.

implementation risk associated with reliability, safety and environmental consequences, and the resulting risk mitigation is used as one input to capital planning. Hydro also considers operational risk, ability to execute, total investment and cumulative system risk in determining the capital portfolio.

- b) Hydro calculates risk mitigation as the difference between the pre-implementation and post-implementation risk scores. Risk mitigated per \$1 million is then calculated by dividing that value by the total program or project cost expressed in millions of dollars. The resulting calculations for the three referenced proposals are:

Proposal	Risk Mitigated (A)	Total Cost (\$000) (B)	Risk Mitigated (\$1M) [A/(B/1,000)]
Refurbish MD-1	10	11,000	0.9
Telecommunications In-Service Failures	12	118.8	101.0
Perform Minor Telecommunications Enhancements	12	157.1	76.4

- c) The scores are developed using a common Capital Risk Assessment Matrix aligned with ISO 31000. The matrix provides common impact and likelihood scales, but the consequence descriptions differ according to the type of risk being evaluated, including system reliability, safety, environment, and general plant/business continuity. Accordingly, the numerical scores provide a common framework for assessing relative risk but should not be interpreted as precise, economically equivalent measures of consequence across fundamentally different risk categories.

There is no additional mathematical normalization for project purpose or materiality. In particular, Hydro has previously explained that dividing risk mitigation by project cost inherently favours lower-cost proposals. Projects having similar risk mitigation but materially different costs will produce substantially different risk-mitigated-per-dollar values. Hydro therefore considers the metric most useful when comparing alternatives of similar purpose or proposals addressing a common risk, rather than as a stand-alone ranking of the entire capital portfolio.

1 No single quantitative score overrides other relevant planning considerations. Hydro
2 applies professional and engineering judgment and considers factors including asset
3 condition, operational requirements, system criticality, reliability and safety consequences,
4 environmental considerations, project timing, outage and resource constraints,
5 executability, total capital investment, and cumulative system risk. The 2027 Capital Budget
6 Application (“CBA”) states that Hydro considers operational risks, ability to execute, total
7 investment and cumulative risk in selecting its capital portfolio.

- 8 **d)** There is no “decision rule” on whether or not to defer capital work. Hydro determines
9 whether or not capital work can be deferred on a case-by-case basis. As outlined in Section
10 5.1.1 of the Capital Budget Overview, prior to proposing capital programs and projects for
11 inclusion in the CBA, Hydro considers whether the investment can be deferred in light of
12 the condition of the asset and its criticality to the system. Where deferral of a program or
13 project is determined to be low risk, that option is selected in an effort to balance the cost
14 impact to customers with the level of reliability required. Appendix G in native excel file is
15 provided as CA-NLH-021, Attachment 1.