Q. Explain the basis for the difference in the Risk Mitigated value from the 2026 CBA, including any relevant differences in project scope and the respective pre- and post-implementation risk assessments for the following:

a) Upgrade Core Information Technology Infrastructure (2027) and Upgrade Core Information Technology Infrastructure (2026).

b) Overhaul Hydraulic Units (2027) and Overhaul Hydraulic Units (2026).

c) Upgrade Power Transformers (2027–2028) and Upgrade Power Transformers (2026–2027).

A. **a)** Newfoundland and Labrador Hydro ("Hydro") increased the post-implementation likelihood rating for the Upgrade Core Information Technology Infrastructure (2027) project from one to two to reflect changes in the technology environment and the increasing complexity and interdependency of the systems being supported.

Like other utilities, an increasing number of technology vendors are transitioning their products and services to cloud-based delivery models. Hydro continues to operate a significant number of on-premises systems that must integrate with these cloud service models. This hybrid environment introduces additional dependencies and configuration complexity, including dependencies on vendor-managed services and integrations that are outside of Hydro's direct control.

In addition, the cybersecurity and technology risk landscape continues to evolve. Advances in technology, including Artificial Intelligence, has increased the speed at which software and hardware vulnerabilities can be identified and potentially exploited, reducing the time available for technology vendors and organizations to assess and remediate emerging risks.

Hydro continues to implement appropriate controls, lifecycle management, cybersecurity measures and technology upgrades to mitigate these risks. However, given the increased

complexity and rate of change in the technology environment since the Upgrade Core Information Technology Infrastructure (2026) was filed, Hydro determined that a post-implementation likelihood rating of two more appropriately reflects the residual risk for the 2027 project.

b) The difference in Risk Mitigated value between the 2026 and 2027 projects is primarily driven by differences in project scope and the relative impact of the generating units included in each annual program. The 2026 Overhaul Hydraulic Units scope included Unit 7 at the Bay d'Espoir Hydroelectric Generating Station ("Bay d'Espoir") and the unit at the Hinds Lake Hydroelectric Generating Station which have generating capacities of 154.4 MW and 75 MW, respectively. The 2027 project scope includes Bay d'Espoir Unit 5, Cat Arm Hydroelectric Generating Station Unit 2, and the unit at the Paradise River Hydroelectric Generating Station, which have generating capacities of 76.5 MW, 67.5 MW, and 8 MW, respectively. The risk associated with each unit differs based on its size, generating capacity, system role, and contribution to overall system capability, as outlined in Appendix G of Schedule 1 of Hydro's 2027 Capital Budget Application ("CBA"). For example, the loss of Bay d'Espoir Unit 7 would remove approximately twice the generation capacity of Bay d'Espoir Unit 5 and would therefore have a greater impact on system capability, energy production, and operational flexibility. For this reason, the consequence scoring for these units is not equivalent.

c) The Risk Mitigated values for the 2026 CBA had Impact values of five (pre-implementation) and five (post-implementation), while the Risk Mitigated values for the 2027 CBA has Impact values of four (pre-implementation) and four (post-implementation). The 2026 CBA had higher Impact values than the 2027 CBA, as the transformers selected for renewal in the 2026 CBA were deemed higher in criticality than the transformers selected in the 2027 CBA, resulting in a greater impact score.

The Likelihood values for both the 2026 and 2027 CBAs were the same for both pre-implementation and post-implementation.