

1 **Q. (Reference Application Schedule B, page ii) It is stated “Where quantitative**  
 2 **information is not available, qualitative assessments based on engineering**  
 3 **judgment have been provided. For projects over \$5 million, more detailed**  
 4 **information is provided in reports prepared by Professional Engineers or other**  
 5 **qualified experts.”**

6 **a) Please confirm that this same statement was made in NP’s 2023 CBA.**

7 **b) Excluding NP staff, what other qualified experts have prepared reports**  
 8 **associated with the 2024 Capital Budget Application?**

9 **c) Please confirm that this approach is essentially unchanged from that used**  
 10 **by NP in its recent capital budget applications.**

11 **d) Are the “professional engineers or other qualified experts” referenced by**  
 12 **NP able to quantify risk? If not, why has NP hired “professional engineers**  
 13 **and other qualified experts” who do not have the expertise to quantify risk**  
 14 **when it is a requirement under the Provisional Guidelines?**

15  
 16 **A. a) It is confirmed.**

17  
 18 b) Newfoundland Power engaged a third-party consultant, Kleinschmidt Canada Inc. to  
 19 provide an inspection report for the *Mobile Hydro Plant Surge Tank Refurbishment*  
 20 project.

21  
 22 c) Newfoundland Power confirms that its approach to preparing reports for its *2024*  
 23 *Capital Budget Application* has not changed materially from the approach used in  
 24 recent capital budget applications.

25  
 26 The Provisional Guidelines require that, “Where appropriate, the utility is expected to  
 27 provide additional information such as a report/analysis by a qualified engineer,  
 28 independent consultant, or other appropriate expert.” The Provisional Guidelines  
 29 apply this requirement for capital projects greater than \$5 million, with the option of  
 30 providing such information for expenditures between \$1 million and \$5 million,  
 31 where appropriate.<sup>1</sup>

32  
 33 In Newfoundland Power’s view, with the exception of a change in materiality, there  
 34 is no material difference in these requirements that would necessitate a different  
 35 approach in providing reports in support of proposed expenditures. Whether a  
 36 report is required from a qualified expert outside of the Company continues to be  
 37 optional under the Provisional Guidelines. The Company’s determination as to  
 38 whether to retain an outside expert would generally depend on the nature of the  
 39 expertise required and whether that expertise is available within the Company.

40  
 41 d) As indicated in part c) of this response, Newfoundland Power’s retention of outside  
 42 experts is not dependent on their ability to quantify risk. As stated in the response  
 43 to Request for Information CA-NP-040, part a), Newfoundland Power’s core asset  
 44 management technology has been in service for approximately two decades.<sup>2</sup> The  
 45 technology does not have the capability of capturing the granular data necessary for

<sup>1</sup> See the Provisional Guidelines, page 17.

<sup>2</sup> This technology is becoming obsolete and is expected to reach end of life in 2026.

1 a purely quantitative assessment of risk. Given that the data has not historically  
2 been gathered and does not exist, a purely quantitative assessment of risk is not  
3 possible, whether performed internally or externally. For an update on the ongoing  
4 review of Newfoundland Power's asset management plans and practices, see the  
5 response to Request for Information PUB-NP-017.  
6

7 Newfoundland Power observes that all methodologies for incorporating risk  
8 assessments into the prioritization of capital investments rely to some degree on  
9 engineering judgment.<sup>3</sup> As stated in the response to Request for Information  
10 CA-NP-040, in order to comply with section V.A.1.b of the Provisional Guidelines, the  
11 Company utilized a risk matrix methodology to provide reasonable consistency in its  
12 communication of its risk assessments.<sup>4</sup> While the risk matrix methodology relies on  
13 scoring guidelines that rely on quantifiable factors to assess consequences and  
14 probabilities, the Company continues to rely on engineering judgment, including its  
15 familiarity and operational experience with its assets, to inform its capital planning  
16 process.

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<sup>3</sup> See the response to Request for Information CA-NP-045, part f).

<sup>4</sup> See Newfoundland Power's *2024 Capital Budget Application, Schedule B* for project specific risk assessments. See also Newfoundland Power's *2024 Capital Budget Application, 2024 Capital Budget Overview*, Appendix C for the methodology used to complete risk assessments.