

General

Q. Reference: "2024 Capital Budget Application," Newfoundland Power Inc., June 22, 2023, 2024 Capital Budget Overview, app. C, Table C-2, pp. 5–6.

a) Please confirm whether "priority score" refers to pre-execution risk or risk mitigated.

b) Does Newfoundland Power consider the risks outlined in Table C-2 to be fully mitigated following the execution of the capital investments proposed herein? Please explain why or why not.

- A. a) The priority score which is derived using the risk matrix methodology as outlined in Appendix C of the *2024 Capital Budget Overview* represents pre-execution risk. The risk matrix methodology is designed to assess the risk of not proceeding with capital expenditures identified in the Renewal, Service Enhancement and General Plant investment classifications. The risk matrix is used to evaluate: (i) the potential consequences of not completing an identified project or program; and (ii) the probably of those consequences occurring if the project or program did not proceed.¹ This, in turn, allows capital expenditures included in Newfoundland Power's *2024 Capital Budget Application* to be presented in the form of a prioritized list consistent with the requirement set out in the Provisional Guidelines.²
- b) As stated in part a), the risk matrix methodology is designed to assess the risk of not proceeding with capital expenditures and allows the capital expenditures included in the Company's *2024 Capital Budget Application* to be presented in the form of a prioritized list. The methodology is not designed to determine risk following execution of a project or program. It is the Company's view that risk associated with utility assets is never zero.

¹ See Newfoundland Power's *2024 Capital Budget Application, 2024 Capital Budget Overview, Appendix C, page C-2.*

² Part IV of Appendix A of the Provisional Guidelines requires that capital budget applications include a prioritized list of proposed projects and programs.