

1 **Q. (Reference Application) Has NP determined the risk mitigation value provided**
2 **by its asset management program (i.e., the difference between baseline risk**
3 **and residual risk) used to develop its 2025 CBA?**
4

5 A. The Company employs its risk matrix methodology to establish a standardized method
6 of communicating the risk of not proceeding with each proposed capital expenditure in
7 the Renewal, Service Enhancement and General Plant classifications included in the
8 *2025 Capital Budget Application*. The risk assessments for each project and program in
9 these investment classifications are provided in Schedule B to the Application. The
10 methodology used to complete the risk assessments is provided as Appendix C to the
11 *2025 Capital Budget Overview*.¹
12

13 Newfoundland Power's risk matrix methodology assesses the consequence of not
14 proceeding with a given project or program and the probability of that consequence
15 occurring. Consequences represent risks to four categories of business objectives:
16 reliability, safety, environment and economic. Within these categories, numerous types
17 of risk are mitigated. For example, capital expenditures associated with information
18 systems often mitigate the risk of a cybersecurity breach. A cybersecurity breach could
19 result in the loss of customer personal information, which could have financial
20 repercussions for customers. It could also have reliability consequences if operations
21 systems were breached.²
22

23 As a result of these considerations, Newfoundland Power does not have the capability to
24 calculate a single quantified risk mitigation value for its entire capital budget that is
25 associated with its asset management program.
26

27 The overall risk mitigation value of Newfoundland Power's asset management can be
28 observed in the Company's long-term history of providing reliable service to customers
29 at the lowest possible cost. For example, Newfoundland Power's investment in
30 transmission and distribution assets has increased at a rate consistent with the average
31 of other Atlantic Canadian utilities over the last decade. The Company's average outage
32 duration was among the lowest of any Atlantic Canadian utility over this period.³
33

34 The *2025 Capital Budget Application* continues long-term asset management programs
35 that have contributed to this performance for customers.

¹ See Newfoundland Power's *2025 Capital Budget Application*, *2025 Capital Budget Overview*, Appendix C, page 2.

² For example, see the risk assessment of the *System Upgrades* capital project in Newfoundland Power's *2025 Capital Budget Application*, *Schedule B*, page 120.

³ See Newfoundland Power's *2025 Capital Budget Application*, *2025 Capital Budget Overview*, pages 12-13.