

1 Q. **Reference Application Rev. 1, Volume 1, Section C: Projects Over \$500,000, Hydraulic**
2 **Generation Refurbishment and Modernization, pages C-7 to C-9**

3 It is stated that this project is *“required for safety, reliability and environmental purposes”*.
4 Please quantify risk, reliability and rate impacts on customers if this project were deferred by
5 two years. With respect to risk, please identify the probability of failure and the consequences
6 of failure. In effect, what is the trade-off between cost to ratepayers, system reliability and risk?

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9 A. The Hydraulic Generation Refurbishment and Modernization project is proposed to execute
10 required sustaining capital works for Newfoundland and Labrador Hydro’s (“Hydro”) existing
11 assets so as to operate, maintain, and renew its infrastructure to achieve required service
12 standards and to optimize the cost of electricity in an environmentally responsible and safe
13 manner.

14 Hydro uses its internal expertise supplemented, when required, by consultants, original
15 equipment manufacturers, and readily available industry information to determine, in Hydro’s
16 opinion, the appropriate timing of capital work to maintain service standards and to optimize
17 costs. As noted in the information presented by Hydro, deferral of this project is not a viable
18 option as it will increase the risk of premature failures. Hydro believes, based upon its
19 knowledge at this time, deferral would be imprudent. The detail requested for quantification of
20 risk and reliability impact requires analysis capability which at this time Hydro does not have
21 within its Asset Management System.

22 With respect to rate impact, Hydro does not compute rate impact on an individual project basis.
23 Hydro’s pro forma computation of revenue requirement impact on a total capital budget basis
24 was included in its 2021 Capital Projects Overview.