

1 Q. **Reference Application Rev. 1, Volume 1, Section C: Projects Over \$500,000, Upgrade Circuit**
2 **Breakers, pages C-45 to C-48**

3 It is stated *“This project is required for Hydro to provide safe, reliable electrical service, and to*
4 *comply with federal PCB regulations.”* Please quantify risk, reliability and rate impacts on
5 customers if this project were deferred by two years. With respect to risk, please identify the
6 probability of failure and the consequences of failure. In effect, what is the trade-off between
7 cost to ratepayers, system reliability and risk?

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10 A. As outlined in Upgrade Circuit Breakers project proposal, following the January 2014 power
11 outages, Newfoundland and Labrador Hydro (“Hydro”) developed a plan to replace its circuit
12 breakers to address reliability issues and federal legislative requirements, among other things.

13 The Upgrade Circuit Breakers project is proposed to execute required sustaining capital works
14 for Hydro’s existing assets so as to operate, maintain, and renew its infrastructure to achieve
15 required service standards and to optimize the cost of electricity in an environmentally
16 responsible and safe manner.

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

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