

1 Q. **Reference Application Rev. 1, Volume 1, Section D: Projects Over \$200,000 but less than**
2 **\$500,000, Purchase Capital Spares – Gas Turbines, pages D-14 to D-19**

3 Please quantify the risk, reliability and rate impacts on customers if this project were deferred
4 by a year. With respect to risk, please identify the probability of failure and the consequences of
5 failure. In effect, what is the trade-off between cost to ratepayers, system reliability and risk?

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8 A. The Purchase Capital Spares – Gas Turbines project is proposed to execute required sustaining
9 capital works for Newfoundland and Labrador Hydro’s (“Hydro”) existing assets so as to operate,
10 maintain, and renew its infrastructure to achieve required service standards and to optimize the
11 cost of electricity in an environmentally responsible and safe manner.

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

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