

1 Q. **Reference Application Rev. 1, Volume 1, Section D: Projects Over \$200,000 but less than**
2 **\$500,000, Replace Peripheral Equipment, pages D-69 to D-72**

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

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9 A. The Replace Peripheral Equipment project is proposed to execute required sustaining capital
10 works for Newfoundland and Labrador Hydro's ("Hydro") existing assets so as to operate,
11 maintain, and renew its infrastructure to achieve required service standards.

12 Hydro uses its internal expertise supplemented, when required, by consultants, original
13 equipment manufacturers, 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 failures. Hydro believes, based upon its knowledge at this
17 time, deferral would be imprudent. The detail requested for quantification of risk and reliability
18 impact requires analysis capability which, at this time, Hydro does not have within its Asset
19 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.