

1 Q. **Reference Application Rev. 1, Volume 2, Replace Light and Heavy Duty Vehicles**

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

6 b. What happens to the replaced vehicles and how are revenues accounted for?

7 c. How does Hydro's policy on replacement of vehicles and aerial devices compare to NP's
8 policy?

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11 A.

12 a. The Replace Light and Heavy Duty Vehicles project is proposed to execute required
13 sustaining capital works for Newfoundland and Labrador Hydro's ("Hydro") existing assets
14 so as to operate, maintain, and renew its infrastructure to achieve required service
15 standards and to optimize the cost of electricity in an environmentally responsible and safe
16 manner.

17 Hydro uses its internal expertise supplemented, when required, by consultants, original
18 equipment manufacturers, and readily available industry information to determine, in
19 Hydro's opinion, the appropriate timing of capital work to maintain service standards and to
20 optimize costs. As noted in the information presented by Hydro, deferral of this project is
21 not a viable option as it will increase the risk of failures. Hydro believes, based upon its
22 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,
24 Hydro does not have within its Asset Management System.

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

4 **b.** Hydro sells its retired vehicles by way of auction through a professional auctioneering
5 service. Proceeds from the sale of retired assets serve to reduce future depreciation
6 expense to the benefit of Hydro's customers.

7 **c.** As per Table 1 of the Replace Light- and Heavy-Duty Vehicles (2021–2022) project,¹ Hydro's
8 vehicle replacement policy is as follows:

- 9 • Light-Duty Vehicles (cars, vans, pickups): Hydro is moving towards seven year or 200,000
10 kilometres. An assessment is carried out at five years or 150,000 km to determine the
11 condition and life cycle cost to ensure the replacement is planned at the optimal time as
12 close to the seven year or 200,000 kilometre mark as possible.
- 13 • Heavy-Duty Vehicles (including aerial devices): Replacement criteria for classes 4, 5, and
14 6 vehicles is six to eight years or >200,000 kilometres and classes 7 and 8 is seven to
15 nine years or >200,000 kilometres. If condition or maintenance cost justifies an earlier
16 replacement, Hydro will consider such.

¹ "2021 Capital Budget Application," Newfoundland and Labrador Hydro, rev 1, August 7, 2020 (originally filed August 4, 2020), vol II, tab 22, at p. 1.

1 As per Newfoundland Power's Purchase Vehicle and Aerial Devices project,² Newfoundland
2 Power outlines its replacement criteria as follows:

- 3 • Passenger Vehicles: Five years or 150,000 kilometres; and
4 • Heavy-Duty Fleet: Ten years or 250,000 kilometres.

² "2021 Capital Budget Application," Newfoundland Power, July 9, 2020, at vol I, Schedule B, at p. 72 of 98.