

1    Q.    **Reference: Schedule 4: Bay d’Espoir Hydroelectric Generating Station Projected Capital**  
2           **Expenditures (2026-2035)**

3           Page 5, line 23 to page 6, line 2. Hydro states it initiates condition assessments of existing  
4           equipment by industry professionals as the end of design life is approaching, or asset  
5           degradation has become apparent.

6           a)    Describe the factors that Hydro applies to determine if engagement of external  
7           consultants is necessary for condition assessments.

8           b)    Provide a description of the levels of condition assessments and how it is determined  
9           which level of assessment is required.

10          c)    What criteria does Hydro apply to determine if condition assessments will be treated as  
11          a capital or operating expense?

12  
13  
14    A.    a)    Newfoundland and Labrador Hydro (“Hydro”) maintains a robust preventive maintenance  
15           program, which includes inspections and maintenance checks performed at varying  
16           frequencies by skilled trades and internal professional engineers. Review of inspection  
17           results, asset performance, along with work orders generated in the computerized  
18           maintenance management system, enables technical personnel to make informed decisions  
19           regarding asset management. When assets approach the end of their life cycles, exhibit  
20           increased performance issues, or display clear abnormalities, Hydro evaluates the  
21           appropriate alternatives, which may include retaining external professional expertise. When  
22           determining the need to engage external consultants for condition assessments, Hydro  
23           considers factors such as the following:

- 24           •    Complexity of the Assessment: When specialized tools or expertise not available  
25           internally are required, Hydro engages external consultants to ensure the assessment is  
26           conducted effectively and accurately.

- 1           • Safety and Regulatory Requirements: Certain assessments must be conducted externally  
2           to comply with specific regulatory or safety guidelines. Examples include overhead crane  
3           inspections and fall protection equipment evaluations.
- 4           • Resource Availability: When internal resources are fully allocated, external support  
5           ensures the timely completion of critical assessments.
- 6           • Interpretation of Data: Hydro's preventive maintenance program continuously monitors  
7           asset health to determine equipment life cycles. In situations where data indicates  
8           potential critical issues, external consultants may be retained to provide definitive  
9           assessments.

10           These considerations ensure that Hydro's condition assessments are conducted objectively,  
11           safely, effectively, and in compliance with regulatory requirements while maintaining  
12           objectivity and operational efficiency.

- 13           **b)** The levels of condition assessments are defined in Hydro's Capitalization Policy, provided in  
14           PUB-NLH-003, Attachment 1.
- 15           **c)** Please refer to Hydro's Capitalization Policy, provided in PUB-NLH-003, Attachment 1.