Q. **Reference: 2027 Capital Budget Overview: Terminal Station Asset Management Strategy; Response to PUB-NLH-008, Attachment 1, Table 1**

a) Explain the low rates of refurbishment or replacement of eligible assets in each year from 2020 to 2025 and identify the principal constraints on completing the renewal work.

b) Explain how assets meeting renewal criteria but remaining in service at year-end were treated in the following year. Confirm whether these assets were included in column (i) of the following year and explain any exclusions or reassessments.

c) Indicate whether the backlog under each program is expected to increase, decrease or remain relatively stable over the 2027–2031 capital planning period, and identify the associated reliability or operational risks and how Hydro plans to manage them.

d) For instrument transformers and disconnect switches, explain whether the planned renewal pace and budgets under the Replace Instrument Transformers (2027-2028) and Replace Disconnects (2027-2029) programs are sufficient to address the outstanding eligible assets, including carryover work and emerging replacement needs, taking into account recent cost increases and scope changes.

A. **a)** Newfoundland and Labrador Hydro's ("Hydro") terminal station asset management strategy establishes criteria for identifying assets eligible for renewal consideration. These criteria vary by asset class and include factors such as age, condition, equipment performance, and known failure mechanisms.

Meeting a renewal criterion does not necessarily indicate that an asset is in an unacceptable condition or requires immediate intervention. As outlined in Hydro's response to PUB-NLH-008 of this proceeding, Hydro undertakes further assessment of eligible assets to determine the appropriate timing and priority of renewal work. This assessment considers factors such as asset condition, criticality, operational history, and system constraints.

Accordingly, the proportion of eligible assets refurbished or replaced in a given year should not be interpreted, in isolation, as an indication of Hydro's progress in addressing

assets requiring immediate renewal. Rather, annual renewal activity reflects the work selected for implementation following prioritization of the eligible asset population.

The development of annual capital programs also considers the coordination of equipment outages, availability of internal and external resources, and efficient execution of related work. These considerations influence the scheduling and sequencing of renewal activities.

Hydro's approach is intended to ensure that renewal activities are undertaken in a manner that supports the continued safe and reliable operation of its terminal station assets, while making effective use of available resources.

b) Assets that meet renewal eligibility criteria but remain in service at year-end continue to be considered through Hydro's asset management and capital planning processes. These assets are subject to ongoing inspection, maintenance, and condition assessment, as applicable to the asset class. Their relative priority may change as additional information becomes available concerning their condition, operational performance, age, or criticality.

Assets remaining eligible for renewal are carried forward for consideration in subsequent years. As reflected in the response to PUB-NLH-008, Attachment 1, such assets are included in the eligible asset population reported in column (i) and, where they remain in service at year-end, column (iii). Changes in the reported population may also reflect assets newly meeting eligibility criteria, completed renewal work, and reassessments of eligibility.

An asset's continued eligibility does not, in itself, establish that renewal has been improperly deferred. Rather, Hydro considers the asset's condition and associated risks in determining the appropriate timing of intervention.

c) Based on Hydro's current capital planning outlook for 2027–2031, the population of assets meeting renewal eligibility criteria is expected to:

- Remain relatively stable for instrument transformers, surge arresters, insulators, and power transformer components;

- Decrease for disconnect switches; and
- Increase for circuit breakers.

These projections represent the anticipated population of assets meeting renewal eligibility criteria and should not be interpreted as a corresponding forecast of assets in unacceptable condition or requiring immediate replacement.

The reliability and operational risks associated with assets remaining in service depend on their individual condition, criticality, and performance, rather than eligibility status alone. Hydro manages these risks through its established inspection, preventive maintenance, testing, and asset management processes. Where additional condition or performance information indicates that an asset warrants earlier intervention, its renewal priority may be reassessed and the timing of corrective maintenance, refurbishment, or replacement adjusted accordingly. In the event of in-service failure or incipient failure, Hydro may replace assets under its in-service failure programs, utilizing suitable spares where applicable.

Hydro will continue to review the eligible asset population and associated renewal priorities through its annual capital planning process, with particular consideration given to asset classes for which the number of eligible assets is expected to increase.

d) The Replace Instrument Transformers (2027–2028) and Replace Disconnects (2027–2029) programs are not intended to replace the entire population of assets meeting renewal eligibility criteria within their respective program periods.

Rather, the planned work reflects the renewal activities identified for implementation through Hydro's asset assessment and prioritization processes. Assets meeting eligibility criteria but not included in the current programs continue to be considered for future renewal based on their condition, operational performance, age, and criticality.

For instrument transformers, Hydro's asset management strategy establishes a target replacement age of 40 years, in addition to condition-based replacement criteria. For disconnect switches, the strategy establishes replacement criteria based on operating

deficiencies and service age, equipment obsolescence, repairability, and a maximum planning age of 70 years. These criteria identify assets for planned replacement consideration; the priority and timing of individual replacements are informed by further assessment.

The scope and timing of the proposed programs also reflect project execution requirements and equipment outage coordination. Where emerging conditions or operating concerns warrant intervention, Hydro may reassess renewal priorities and address the associated work through the appropriate maintenance or capital process.

Hydro will continue to assess its renewal requirements through successive capital planning cycles and adjust proposed work as necessary to support the safe and reliable operation of its terminal station assets.