

1 **Q. (Reference Application) Please identify all reliability risk metrics used by NP in the**
2 **2021 Capital Budget Application. What risk mitigation value is provided by NP's**
3 **asset management program; i.e., the difference between baseline risk and residual**
4 **risk.**

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6 A. Newfoundland Power did not use reliability risk metrics in its *2021 Capital Budget*
7 *Application*. The Company uses a comprehensive capital planning process to determine
8 the necessity, scope and timing of each proposed capital project.¹ This has helped
9 minimize overall costs to customers over the long term, while maintaining acceptable
10 levels of service reliability.²

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12 Newfoundland Power's asset management program does not provide the reliability risk
13 metrics requested in this Request for Information. As a result, the reliability risk
14 mitigation value associated with the difference between baseline risk and residual risk
15 cannot be provided.

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17 Newfoundland Power's asset management program was comprehensively reviewed by
18 the Board's consultant, The Liberty Consulting Group ("Liberty"), in 2014. Liberty
19 observed:

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21 *"Annual capital strategies include measures (Transmission Rebuild Strategy,*
22 *Rebuild Distribution Lines Projects, Distribution Reliability Initiative, and*
23 *Substation Refurbishment and Modernization Strategy) well targeted to the needs*
24 *of its equipment. Asset management strategies have promoted improved system*
25 *reliability since 1998, while keeping annual capital T&D expenditures under*
26 *control."*³

¹ See the *2021 Capital Budget Application, 2021 Capital Plan, Section 2.1*, for additional details on Newfoundland Power's capital planning process.

² See the response to Request for Information PUB-NP-001 for information on how Newfoundland Power's approach to capital expenditures results in power being delivered to customers at the lowest possible cost consistent with reliable service.

³ See Liberty's Report on Island Interconnected System to Interconnection with Muskrat Falls addressing Newfoundland Power Inc., December 17, 2014, page 51.