

1 **Q. (Reference Application) In the Provisional Guidelines it is stated (page 15 of**  
2 **18) with respect to the assessment of alternatives "Defer project and**  
3 ***maintain status quo addressing, to the extent possible, the risk of deferral for***  
4 ***one or more years, in terms of reliability impact, safety, human resource***  
5 ***requirements, and the impact on other capital projects."* On pages 16 of 18**  
6 **and 17 of 18 of the Provisional Guidelines it is stated "Projects and programs**  
7 ***shall be evaluated for risk mitigation in the following categories: 1) Reliability***  
8 ***2) Safety 3) Environment. Risk mitigation shall be calculated as the difference***  
9 ***in risk before and after the proposed alternatives were implemented. The***  
10 ***calculation of risk shall conform to an internationally recognized standard for***  
11 ***calculating risk."***

12 **a) Please provide a table summarizing for each project and program in the**  
13 **2026 CBA the risk quantified in terms of reliability impact, safety, human**  
14 **resource requirements, and the impact on other capital projects.**

15 **b) If NP is unable to quantify the risk in these terms, please explain why,**  
16 **given that this is the fourth capital budget submitted under the Provisional**  
17 **Guidelines and that it has been 6 years since the Board initiated its review of**  
18 **the Guidelines in 2019. When does NP expect to be in a position to do so?**  
19

20 **A.** a) The quotation from page 15 describes alternatives specific to projects in the  
21 \$1 million to \$5 million and greater than \$5 million materiality categories. This  
22 quotation is therefore not applicable to the projects with materialities less than \$1  
23 million or to any capital programs.  
24

25 Similarly, the quotation on pages 16 and 17 is specific to projects and programs in  
26 the renewal, service enhancement and general plant investment classifications only.  
27 This would not apply to the projects and programs in any other investment  
28 classifications.  
29

30 Newfoundland Power is unable to provide the requested table. See part b) below as  
31 well as the responses to Requests for Information ("RFI") CA-NP-014 and  
32 NLH-NP-001 for more information related to Newfoundland Power's approach to risk  
33 assessments. See also Appendix C of the *2026 Capital Budget Overview*.  
34

35 b) Newfoundland Power is unable to quantify risk as described because the Company  
36 lacks both the software and the information required to carry out the described  
37 analysis.<sup>1</sup> Newfoundland Power is unable to provide a timeline as to when it will be  
38 in a position to comply fully with the risk quantification provisions of the guidelines.  
39

40 Newfoundland Power provides a qualitative assessment of risk according to its risk  
41 matrix methodology for projects and programs in its *2026 Capital Budget Application*  
42 as detailed on pages i to iv of Schedule B and also in Appendix C to the *2026 Capital*  
43 *Budget Overview* filed as part of the *2026 Capital Budget Application*.<sup>2</sup> The risk  
44 matrix methodology meets the spirit and intent of the guidelines by providing

<sup>1</sup> See the responses to Requests for Information CA-NP-016 and CA-NP-017 for further information.

<sup>2</sup> See the responses to Requests for Information CA-NP-014 and CA-NP-016 for further information.

1 reasonable consistency in communicating the risk of not completing a proposed  
2 project.

3  
4 Risk mitigation as described, when completed to internationally recognized  
5 standards, requires detailed statistical analyses of long-term asset data to effectively  
6 model risk. Newfoundland Power is currently limited by the availability of information  
7 needed to complete this analysis.<sup>3</sup> Much of the information required by these  
8 analyses was not recorded at the time of installation for many of Newfoundland  
9 Power's assets, which is further complicated by the long average service lives of the  
10 assets.<sup>4</sup> The commissioning of many of these assets predate even Newfoundland  
11 Power's outgoing Asset Management Technology.

12  
13 To attain strict compliance with the risk quantification provisions currently outlined in  
14 the Appendix A of the *Capital Budget Application Guidelines (Provisional)*,  
15 Newfoundland Power will need to: (i) complete its Asset Management Technology  
16 Replacement project; (ii) utilize the technology and accrue data for several years;  
17 (iii) acquire and implement dedicated statistical risk modeling software; and (iv)  
18 integrate the risk management data into Newfoundland Power's capital planning.<sup>5</sup>

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<sup>3</sup> See the response to Request for Information NLH-NP-001 for further information.

<sup>4</sup> For example, Newfoundland Power's distribution assets can have estimated average service lives in excess of 50 years. Please see Newfoundland Power's *Depreciation Study* filed in connection with its *2022/2023 General Rate Application* for further information.

<sup>5</sup> See the response to Request for Information CA-NP-212 filed in relation to Newfoundland Power's *2025 Capital Budget Application*.