

1 Q. Does Hydro evaluate and prioritize upgrades to rural systems using the same criteria as applied
2 to other Hydro assets? Explain why or why not.

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5 A. Newfoundland and Labrador Hydro's ("Hydro") infrastructure on rural systems is evaluated and
6 prioritized for upgrades under the same criteria as all other Hydro assets. Issues identified
7 through comprehensive inspections are used to prioritize capital investments and upgrades,
8 supported by condition ratings and operational reports, such as historical outage data. Hydro
9 has processes and practices in place to appropriately determine when reinvestment is required
10 for all assets across Hydro's system. Reinvestment decisions are based on condition, reliability,
11 and risk. Identification of required work is typically determined through condition and reliability
12 data, while prioritization of this work is determined by risk. Risk is calculated as the product of
13 impact and the likelihood of failure.¹

14 Hydro's grid infrastructure is designed and constructed to withstand environmental loading as
15 per Hydro's engineering design standards, based on *Good Utility Practice*,² compliant with
16 engineering and industry standards, and site-specific historical operating experience. For
17 transmission and distribution lines, this loading criteria changes through various geographical
18 regions within the province to ensure that equipment is designed for the conditions in which it
19 operates. The condition of equipment is monitored through established inspection programs,
20 which focus primarily on condition assessment and outage statistics. Hydro monitors the
21 performance of its assets, and when issues with asset performance or reliability are identified,

¹ An overview of Hydro's risk matrix can be found in "2027 Capital Budget Application," Newfoundland and Labrador Hydro, July 14, 2026, vol. I, sch. 1, app. G, p. G-1.

² Hydro defines "Good Utility Practice" in the same manner as defined in the *Water Management Regulations* under the *Electrical Power Control Act, 1994*. *Good Utility Practice* means those practices, methods or acts, including but not limited to the practices, methods or acts engaged in or approved by a significant portion of the electric utility industry in Canada, that at a particular time, in the exercise of reasonable judgment, and in light of the facts known at the time a decision is made, would be expected to accomplish the desired result in a manner which is consistent with laws and regulations and with due consideration for reliability, safety, environmental protection, and economic and efficient operations.

1 Hydro undertakes proactive infrastructure upgrades that are recommended to prevent issues
2 from occurring.

3 Hydro conducts regular and comprehensive preventative maintenance and inspections on
4 infrastructure, in accordance with *Good Utility Practice*. Critical preventative maintenance and
5 inspections are monitored for progress and completion through both Hydro's Annual Work Plan
6 and Winter Readiness Plan each year. Hydro monitors asset performance and reliability to
7 ensure that maintenance and capital investment are sufficient across all Hydro service areas.

8 Hydro does not generally manage its assets based solely on age or service life. In many cases,
9 condition assessments, along with replacement criteria, are used to plan renewal and
10 replacement work. Condition assessments combine visual inspections, data monitoring, and
11 evaluation of maintenance history to determine the remaining useful service life. Assets are
12 prioritized for refurbishment or replacement based on risk factors such as safety, reliability, and
13 cost-effective service. Hydro evaluates and prioritizes upgrades to rural systems using the same
14 criteria as applied to other Hydro assets.