

1 **Q. (Reference Application Schedule B, page iii) It is stated “To comply with the**
 2 **spirit and intent of the Provisional Guidelines, the Company developed a**
 3 **methodology to provide consistency in its assessment of risks across projects**
 4 **and programs. The methodology uses a risk matrix where priority is**
 5 **determined based on assessments of probability and consequence.”**
 6

- 7 **a) Is this practice consistent with that used by distribution companies**
 8 **elsewhere in Canada? Is it consistent with the approach used by Hydro?**
 9 **b) What other prioritization methodologies are used by distribution**
 10 **companies elsewhere in Canada?**
 11 **c) Are there other means for prioritizing projects that do not require a**
 12 **significant amount of subjectivity as that used in the proposed**
 13 **methodology?**
 14 **d) Specifically, who at Newfoundland Power determines the priority of a**
 15 **project and how does Newfoundland Power ensure that it is applied**
 16 **consistently across the broad range of projects included in the**
 17 **Application?**
 18

19 **A. a)** Yes, Newfoundland Power’s risk matrix methodology is consistent with that used
 20 by distribution companies elsewhere in Canada. Nova Scotia Power, the primary
 21 distribution utility in Nova Scotia, uses a similar methodology.
 22

23 Newfoundland Power is aware that Hydro changed its approach to prioritizing
 24 capital projects for its *2023 Capital Budget Application* by adopting a risk matrix
 25 similar to Newfoundland Power’s. The two approaches are consistent in that
 26 they both employ a 5x5 risk matrix which considers the consequences and
 27 probabilities associated with capital projects and programs.
 28

29 **b)** Newfoundland Power’s research of Canadian utility practice identified that utilities
 30 use a range of different methodologies for prioritizing capital expenditures.
 31 Several utilities use a formula-driven approach that relies on weighted criteria to
 32 prioritize capital expenditures. Some utilities use advanced software, such as the
 33 Copperleaf portfolio.¹ Others rely exclusively on engineering judgment to
 34 prioritize capital expenditures.
 35

36 **c)** Based on Newfoundland Power’s research, all methodologies rely to some degree
 37 on engineering judgment in order to prioritize capital expenditures. The level of
 38 subjectivity can generally be reduced by using objective data, such as asset
 39 health indices that provide quantifiable asset condition data for a particular asset
 40 type. Newfoundland Power’s risk matrix methodology applies scoring guidelines
 41 that rely on quantifiable factors to reduce subjectivity and provide reasonable
 42 consistency and transparency in the resulting priority scores.²

¹ For further information on these methodologies, see the response to Request for Information CA-NP-077.

² See the *2023 Capital Budget Application, 2023 Capital Budget Overview*, Appendix C.

- 1 d) Newfoundland Power’s priority scores for capital projects were determined by
2 Professional Engineers and other IT professionals within the Company who were
3 responsible for the development of the *2023 Capital Budget Application*. The
4 guidelines used to determine the priority scores are provided in *Appendix C* to
5 the *2023 Capital Budget Overview*.