

1 **Reference: "2023 Capital Budget Application," Newfoundland Power Inc., June 29,**
 2 **2022, 2023 Capital Budget Overview, Appendix C, p. 3, Table C-1.**
 3

4 **Q. a) Please confirm that the risk scores assigned to Newfoundland Power's**
 5 **projects and programs consider economics in addition to safety,**
 6 **reliability, and environment.**
 7

8 **b) If confirmed, please provide the weightings applied to each component**
 9 **in deriving the risk scores.**
 10

11 A. a) It is confirmed that the risk scores assigned to Newfoundland Power's projects
 12 and programs consider economic consequences in addition to safety, reliability,
 13 and environmental consequences.
 14

15 The Company observes that the inclusion of economic considerations in the
 16 prioritization of capital expenditures is common utility practice. As examples,
 17 Nova Scotia Power, Hydro One, London Hydro, and FortisBC all include economic
 18 considerations, such as productivity or operating efficiency, in their
 19 methodologies for prioritizing capital expenditures.
 20

21 b) Newfoundland Power's risk matrix methodology does not apply weightings to
 22 each consequence described in part a) in deriving the risk scores. Rather, the
 23 scores are derived based on consideration of the primary consequence that could
 24 occur if a capital project did not proceed and the probability of that consequence
 25 occurring.
 26

27 In certain cases, the consideration of secondary consequences may warrant a
 28 higher overall prioritization score. For example, the prioritization score for the
 29 *Distribution Feeder SLA-05 Refurbishment* project considered the potential
 30 reliability consequences to the 136 customers served by this feeder based on its
 31 deteriorated condition. This customer count would typically yield a consequence
 32 value of two (Minor) in accordance with Newfoundland Power's risk matrix
 33 methodology. However, due to overload conditions in the area and the feeder's
 34 rear lot configuration, a safety consequence was identified that warranted a
 35 higher consequence value of three (Moderate).¹
 36

37 Based on Newfoundland Power's research, weightings are a common feature of
 38 formula-driven approaches to prioritizing capital expenditures. For information
 39 on this alternative approach to prioritization, see the response to Request for
 40 Information CA-NP-077.

¹ For details of the risk assessment for the *Distribution Feeder SLA-05 Refurbishment* project, see the *2023 Capital Budget Application, Schedule B*, page 27.