

1 **Q. (Reference Application Volume 2, 2021 Facility Rehabilitation) Please demonstrate**
2 **how NP has incorporated customer preferences, planning criteria, system reliability,**
3 **asset condition and benchmarking for this project. Please identify the risk impacts**
4 **of not proceeding with this project in 2021 both in terms of risk of failure and**
5 **consequences of failure.**
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7 A. See the response to Request for Information CA-NP-008 for information on how
8 Newfoundland Power incorporates customer preferences into its *2021 Capital Budget*
9 *Application*.

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11 See the response to Request for Information CA-NP-007 for information on how
12 Newfoundland Power incorporates benchmarking into its *2021 Capital Budget*
13 *Application*.

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15 Maintaining the Company's hydro generation production ("hydro plants") realizes
16 customer benefits provided by the electricity generated at the facilities. The value of
17 electricity production consists primarily of: (i) reduced marginal energy costs; and (ii)
18 avoidance of the need to add generation capacity. The alternative to maintaining these
19 facilities is to retire them.

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21 Inspections, operating experience and engineering assessments are used by
22 Newfoundland Power to assess the need for capital expenditures associated with the 2021
23 *Hydro Facility Rehabilitation* project. Such expenditures ensure the continued operation
24 of the Company's hydro plants in a manner that is safe, reliable and environmentally
25 compliant. Where appropriate, the Company's assessments consider planning criteria,
26 system reliability, and asset conditions.¹ They also consider the economic viability of
27 proposed expenditures.

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29 The risk impacts of not proceeding with the 2021 *Hydro Facility Rehabilitation* project
30 include: (i) unplanned equipment outages that will eliminate the availability of low cost
31 production from Newfoundland Power's hydro plants, and (ii) unsafe operation of hydro
32 plants. Newfoundland Power considers the risk of failure and consequence of failure to
33 be high. The proposed 2021 *Hydro Facility Rehabilitation* capital expenditures mitigate
34 this risk.

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36 See the response to Request for Information CA-NP-024 for additional information on
37 why expenditures included in the 2021 *Hydro Facility Rehabilitation* project should
38 proceed in 2021.

¹ All of the 2021 *Hydro Facility Rehabilitation* projects have been identified and supported by inspections of the asset condition. Report *1.1 2021 Facility Rehabilitation* provides details on each of the assessments.