Q. In its October 1, 2020 letter to the Board, NP states (Page 6 of 8) "*certain increases in risks facing the system have already materialized and deferring system replacement would expose customers to a high level of risk*."

a) What risks have materialized in 2019 and 2020 that make the risk assessment undertaken by EY in 2018 obsolete? How did an independent expert such as EY overlook these risks?

b) Have the risks been quantified in terms of the probability of occurrence multiplied by the impact on consumers?

c) What makes these risks unmanageable and too costly to continue operation of the existing CSS?

d) How have these risks been mitigated to help the existing CSS remain operational until its replacement in 2023, and at what cost?

e) Why is it that the mitigation measures used in the recent past cannot be repeated to allow deferral of the replacement project by another few years beyond 2023 rather than undertaking the project now during this time of severe financial stress in the Province?

f) Page 23 of the March 20 report suggests that CIS replacement cost per customer declines with economies of scale related to the number of customers. Does NP anticipate significant growth in its number of customers?

g) With the stagnation in the province's economy, it is not reasonable to expect very limited growth in the number of NP's customers? Would this not limit the demands on NP's CSS? Without a return to growing population and a growing economy, would it not be prudent to defer such a major expenditure?

h) Specifically, what is the cost of risk mitigation and how does it compare to savings resulting from deferral of the project?

A. a) The risk assessment conducted by EY in 2018 is not obsolete. Rather, the risks that have materialized in 2019 and 2020 serve to validate EY's findings. For example, EY noted risks regarding the server hardware underpinning CSS. The server hardware underpinning CSS became obsolete in 2020.

For more information on the risks that have materialized since the 2018 assessment, see responses to Requests for Information CA-NP-070 and PUB-NP-014.

b) The risks assessed by EY in 2018 were assigned a rating from "low" to "high." A "low" risk would have a relatively minor probability of impacting the service

provided to Newfoundland Power's customers. A "high" risk would have a significant probability of impacting the service provided to customers.

c) A comprehensive assessment of options to manage the risks facing CSS was completed over the period 2019 to 2020. The assessment showed that replacement with a modern solution is the *only viable option* to manage the risks facing CSS.

The detailed results of this assessment are provided in Attachment A to Newfoundland Power's *Customer Service Continuity Plan.*[1]

d) Newfoundland Power has implemented short-term measures to manage the risks facing its customer service delivery while replacement of the system is ongoing. As examples:

(i) A short-term measure has been implemented to respond to the recent obsolescence of the CSS server hardware provided by HPE. HPE provided notification in June 2020 that the Integrity servers underpinning CSS are no longer being manufactured and the existing supply is not expected to last beyond this year.[2] In response to this change, Newfoundland Power removed an existing server from its development environment to act as an additional spare in the event of an equipment failure. There are no costs associated with this move in servers.

(ii) Newfoundland Power has adopted an approach to minimize changes to CSS. The Company plans to implement only mandatory changes to the system (e.g. changes required to meet regulatory requirements). This measure will mitigate risks associated with modifying this complex and highly integrated system. For example, applying the mandatory One-Time Bill Credit to customers' bills resulted in an error that required troubleshooting and resolution. Minimizing changes moving forward will mitigate these risks. There are no costs associated with minimizing changes to CSS.

(iii) Newfoundland Power continues to implement contingency plans to manage the risks of CSS failure. For more information, see response to Request for Information PUB-NP-017.

e) For information on why this project cannot be deferred, see response to Request for Information PUB-NP-014.

f) Newfoundland Power forecasts an average of approximately 2,400 new customer connections annually over the period 2021 to 2025.[3]

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1 See the *2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment A,* pages 7 to 11.

2 See response to Request for Information CA-NP-070, page 2, lines 19 to 25.

3 See the *2021 Capital Budget Application, Volume 1, 2021 Capital Plan,* page 32, Table 12.

g) See part (f) for Newfoundland Power's forecast of new customer connections.

The forecast number of new customer connections does not limit the demands on CSS. A replacement solution is required to ensure continuity in the service provided to all Newfoundland Power's customers.

No, it would not be prudent to defer replacement of CSS. For information on why this project cannot be deferred, see response to Request for Information PUB-NP-014.

h) Replacement with a modern Customer Information System is the only viable option to mitigate the risks facing Newfoundland Power's customer service delivery. The cost of this project is approximately $31.6 million.

There are no savings available to customers as a result of deferring this project. Rather, deferral of this project would serve to increase overall costs to customers. For more information, see responses to Requests for Information PUB-NP-014 and CA-NP-152.