

1 Q. **Reference: Program 13 - Thermal In-Service Failures**

2 On page i, lines 18-19, Hydro states that the 2023 budget estimate of \$3,300,000 for this
3 program is based on the average expenditures over the past three years (2019 to 2021).
4 According to Chart 2 on page 6, the 2021 expenditures were significantly higher than 2019 and
5 2020 expenditures. Does Hydro view 2021 as an anomaly and, if so, was that factored into the
6 calculation of the 2023 budget estimate? If it wasn't factored into the calculation, please explain
7 the rationale for not doing so.

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10 A. Newfoundland and Labrador Hydro ("Hydro") does not see the 2021 expenditures as an
11 anomaly. Hydro does not currently have the asset management infrastructure to predict all
12 failure modes, and data obtained through preventive maintenance activities is not
13 comprehensive enough for Hydro to make accurate predictions on the likelihood of failure. This,
14 combined with cost increases due to the global pandemic, indicates such an estimate is more
15 reflective of what can be expected as expenditures for 2023. While the 2021 expenditures were
16 higher than the historical average, Hydro cannot say with certainty there will not be subsequent
17 years with higher than average expenditures, particularly as Hydro also does not yet have
18 sufficient historical in-service failure expenditure data to identify a "normal" range of
19 expenditure within this program. Hydro has carefully considered all thermal capital investment
20 with a focus on balance between reliability and customer cost given single-year extensions, and
21 in some cases may have accepted higher than normal levels of risk to ensure there are no
22 unnecessary stranded expenditures. Hydro proposed the Thermal In-Service Failure program to
23 manage and mitigate the increased risk of failures and has found it to be an effective way to
24 manage this work.