

1 Q. **Reference: Application, 2024 Capital Budget Overview, page 37**

2 It is stated

3 Hydro assessed risks pre- and post-implementation of the capital investments  
4 proposed in the 2024 CBA, and has calculated the risk mitigation as the  
5 difference between pre- and post-implementation risk.

6 Specifically, what has Hydro changed with respect to project prioritization and ranking since the  
7 2023 CBA?

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10 A. In advance of its 2024 Capital Budget Application (“CBA”),<sup>1</sup> Newfoundland and Labrador Hydro  
11 (“Hydro”) completed a review of its Capital Risk Evaluation Matrix. In consultation with subject  
12 matter experts within the company, this review concentrated on providing additional definition  
13 to risk impact factors and ensuring consistency between asset classifications with regards to risk  
14 impacts. The Capital Risk Evaluation Matrix used for project prioritization and ranking for the  
15 2024 CBA, revised since the 2023 CBA as a result of this review, is shown in the 2024 Capital  
16 Budget Overview, Appendix G.<sup>2</sup> Additionally, as discussed in Section 7.0 of the 2024 Capital  
17 Budget Overview,<sup>3</sup> for projects in the 2024 CBA with undefined scope, an average level of  
18 likelihood and impact based on the historical execution experience of these programs has been  
19 assumed.

20 Risk evaluation remains one of a number of considerations used by Hydro to inform its total  
21 capital investment application. Hydro continues to assess opportunities for improvement of its  
22 capital risk evaluation practices, particularly through advances in Hydro’s asset management  
23 system; however, Hydro believes its risk evaluation practices are in compliance with the  
24 provisional CBA Guidelines,<sup>4</sup> are consistent with risk evaluation practices utilized throughout the

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<sup>1</sup> “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023).

<sup>2</sup> “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 1, app. G.

<sup>3</sup> “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 1, p. 35.

<sup>4</sup> “Capital Budget Application Guidelines (Provisional),” Board of Commissioners of Public Utilities, January 2022.

- 1 industry, and provide valuable insight into the relative risks and mitigations of Hydro's proposed
- 2 projects and programs for the purposes of evaluation of Hydro's proposed capital budget.