

1 **Reference: 2023 Capital Budget Overview**

2

3 **Q. Please advise if all projects which are assigned the same priority score have**

4 **the same priority for inclusion in Newfoundland Power’s annual capital**

5 **budget request? If not, what methodology does Newfoundland Power use to**

6 **determine the order of execution for projects classified with the same priority**

7 **score?**

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9 A. Newfoundland Power developed a risk matrix methodology in 2022 to comply with the

10 spirit and intent of the Board’s Provisional Guidelines. The risk matrix methodology is

11 designed to assess the risks of not proceeding with capital projects and programs in the

12 Renewal, Service Enhancement and General Plant investment classifications.

13

14 Using the risk matrix, capital projects and programs can receive a score of 1 to 25.

15 These scores span four levels of priority: (i) Low priority, which includes scores of 1

16 to 4; (ii) Medium priority, which includes scores of 5 to 9; (iii) Medium-High priority,

17 which includes scores of 10 to 16; and (iv) High priority, which includes scores of 20

18 or 25.

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20 Generally, projects and programs with the same level of priority present comparable

21 degrees of risk to the delivery of service to customers.

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23 Those assigned the highest priority score of 25 encompass Newfoundland Power’s

24 corrective maintenance programs for substation, transmission, distribution and

25 generation assets. These programs address high volumes of electrical system

26 equipment that have failed in service or are at imminent risk of failure. Not proceeding

27 with these programs would therefore pose the highest degree of risk to the provision of

28 safe and reliable service to customers. By comparison:

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30 (i) Expenditures with a priority score of 20 primarily include major refurbishment

31 projects for critical electrical system assets, such as substations and transmission

32 lines that serve thousands of customers, and the Company’s preventative

33 maintenance programs for the electrical system.

34

35 (ii) Expenditures with priority scores of 15 or 16 primarily include projects and

36 programs that involve the replacement of specific pieces of electrical system

37 equipment and other assets, such as vehicles used in providing service to

38 customers.

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40 (iii) Expenditures with priority scores of 10 or 12 primarily include smaller

41 refurbishment projects, such as the refurbishment of a small section of a

42 distribution feeder, and the addition or renovation of company buildings.

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44 The *2023 Capital Budget Application* does not include any proposed capital expenditures

45 with a priority score of less than 10.

1 The risk matrix methodology provides reasonable consistency in communicating the
2 results of risk assessments across asset classes for proposed capital expenditures.
3 While consistency across asset classes allows proposed expenditures to be presented in
4 the form of a prioritized list, Newfoundland Power's capital planning process focuses on
5 the prioritization of capital expenditures *within* asset classes based on engineering
6 reviews, inspection data, and other criteria. As examples:
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- 8 (i) Annual transmission line rebuild projects are prioritized in accordance with the
9 Company's *Transmission Line Rebuild Strategy* based on the physical condition of
10 the line, criticality in serving customers and potential customer impact in the
11 event of a failure.¹
12
- 13 (ii) Annual substation refurbishment and modernization projects are prioritized in
14 accordance with Newfoundland Power's *Substation Strategic Plan* based on the
15 physical condition of individual substations including the quantity of obsolete and
16 deteriorated equipment and infrastructure.²
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- 18 (iii) Annual distribution feeder refurbishment projects are prioritized based on the
19 results of inspections and target areas of the distribution system where
20 deterioration is most pronounced, as well as areas where customers experience
21 the worst service reliability.³
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23 All projects and programs proposed as part of Newfoundland Power's *2023 Capital*
24 *Budget Application* have been prioritized as necessary to meet the Company's statutory
25 obligations under the *Public Utilities Act* and the *Electrical Power Control Act, 1994*. As
26 such, the order of execution of approved capital projects within a given year is not
27 necessarily driven by priority, but rather practical factors affecting when a scope of work
28 can be completed. As examples, the specific timing of project execution within a given
29 year can be dependent upon resourcing and contractor scheduling, customer outage
30 and load transfer requirements, utilization of the construction season and lead time for
31 engineering design and procurement.

¹ For 2023, Newfoundland Power has proposed rebuilding Transmission Line 55L. This line was prioritized for rebuilding as it is a radial transmission line constructed in 1971 that serves as the sole source of supply for approximately 3,400 customers and is heavily deteriorated. See the *2023 Capital Budget Application*, report 3.1 *2023 Transmission Line Rebuild*.

² For 2023, Newfoundland Power has proposed the refurbishment and modernization of its Walbournes and Molloy's Lane substations. These substations were prioritized for refurbishment and modernization as both substations provide service to thousands of customers in Corner Brook and St. John's and each contains significant quantities of deteriorated and obsolete equipment. See the *2023 Capital Budget Application*, report 2.1 *2023 Substation Refurbishment and Modernization*.

³ For 2023, Newfoundland Power has proposed a targeted refurbishment of 6.5 kilometres of distribution feeder SUM-01. This section of feeder was prioritized for refurbishment as customers in this area experience service reliability that is considerably worse than the Company average. See the *2023 Capital Budget Application*, report 1.1 *Distribution Reliability Initiative*.