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Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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**CAPITAL BUDGET APPLICATION  
GUIDELINES**  
(Provisional)

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EFFECTIVE  
January 2022

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**APPENDIX A: Annual Capital Budget Application Filing Requirements**

**APPENDIX B: 2023 Annual Capital Budget Application Schedule**

## I. GENERAL

These guidelines apply to utility capital expenditure applications filed for the approval of the Board pursuant to section 41 of the *Public Utilities Act*. These guidelines are established in accordance with the legislation and the Board's inherent authority with respect to its processes and procedures. These guidelines supplement the provisions of the legislation and if a conflict arises the legislation prevails. The provisions of these guidelines do not alter the Board's discretion to establish additional or different processes or procedures where appropriate in the circumstances.

## II. LEGISLATION

*Public Utilities Act*, R.S.N.L. 1990, c. P-47 (the "Act"), particularly s. 16, 37, 41, and 118.

*Board of Commissioners of Public Utilities Regulations*, 1996, NLR 39/96 (the "Regulations"), particularly s. 3.

*Electrical Power Control Act, 1994*, R.S.N.L. 1994, c. E-5.1 (the "EPCA"), particularly s. 3 and 4.

Utilities are required to provide service and facilities which are reasonably safe and adequate and just and reasonable. A utility must submit an annual capital budget for Board approval and is prohibited from proceeding with the construction, purchase or lease of improvements or additions to property in excess of \$50,000 without the prior approval of the Board.<sup>1</sup>

The Board has the general supervision of utilities and is given broad powers and responsibilities. The Act is to be read liberally providing the Board with all the additional authority and powers appropriate or necessary for it to exercise its authority. The Board may dispense with, vary or supplement the provisions of the *Regulations* and may issue directions it considers necessary for the proper consideration and disposition of a matter. The Board is required to implement the power policy of the province which, among other things, requires that all facilities are operated in a manner that would result in i) the most efficient production, transmission and distribution of power, ii) consumers having equitable access to an adequate supply of power, and iii) power being delivered to consumers at the lowest possible cost consistent with reliable service.

## III. POLICY STATEMENT

The Board is committed to the efficient and effective oversight of utility capital expenditures through open and transparent processes which provide a full and fair opportunity for interested parties to participate and which ensure cost-effective regulation and timely determinations of the Board.

In fulfilling its mandate with respect to the supervision of utility capital expenditures the Board makes its determinations in accordance with its obligation to observe the power policy of the province and to apply tests which are consistent with generally accepted sound public utility practice, and in the context of the utility's obligation to provide service and facilities which are reasonably safe and adequate and just and reasonable.

The Board considers the interests of both customers and utilities in determining whether proposed capital expenditures should be approved. Appropriate capital spending is in the interest of both customers and

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<sup>1</sup> The threshold is \$5,000 for a lease in a year of the lease.

utilities as customers benefit from a utility which is well positioned to provide safe, reliable and adequate service and utilities benefit when the rates to be paid by customers are reasonable and just. Cost, performance and risk are among the factors considered by the Board in determining whether capital expenditures are appropriate and necessary to ensure the delivery of power to customers at the lowest possible cost consistent with reliable service.

#### **IV. PURPOSE**

The purpose of these guidelines is to provide clear and consistent guidance with respect to the format and content of utility capital expenditure applications as well as the process, procedures and timelines for the review of these applications.

#### **V. GUIDELINES**

These guidelines address utility annual capital budget applications, supplemental capital expenditure applications, capital expenditures reports, and other applications related to capital expenditures.

##### **A. ANNUAL CAPITAL BUDGET APPLICATIONS**

###### **1. Process**

The process for annual capital budget applications will involve a public hearing process whereby the utility is required to provide information supporting its proposals and interested persons have the opportunity to participate fully and fairly.

###### **a. Application**

Annual capital budget applications shall include comprehensive information and supporting documentation to enable the Board and interested persons to understand the nature, scope and justification of the proposed individual capital expenditures and the annual capital budget. The application must demonstrate that the proposals are reasonable and necessary for the provision of service at the lowest possible cost consistent with reliable service. The support provided should justify the proposed capital budget and each capital expenditure showing that all reasonable alternatives were considered, including the status quo and deferral.

###### **b. Filing Requirements**

The information to be provided in an annual capital budget application and the format for this information is set out in Appendix A. Where a utility is not able to provide the required information it shall provide an explanation as to why the information cannot be provided as well as the basis upon which the proposals should be approved in the absence of this information. Applications should include a sworn affidavit attesting to the accuracy of the information provided.

###### **c. Documents**

A utility is required to file its annual capital budget application with the Board with the designated number of copies and to provide a copy to the intervenors in its most recent capital budget application. All documents filed in relation to an application, including correspondence, reports and submissions, shall be

filed with the Board and copied to the other parties. Unless the Board has accepted a claim for confidentiality all documents will be placed on the public record.

**d. Notice and Participation**

A public notice of an annual capital budget application will be issued setting out how interested persons may participate. An interested person may file a submission to become an intervenor or may file a letter of comment or request an opportunity to make a presentation to the Board.<sup>2</sup> Intervenors will have the opportunity to participate as parties throughout the process, subject to limitations which may be established by the Board.

**e. Presentation**

After filing its capital budget application a utility will present an overview of the application to Board staff and the intervenors. The presentation should include an explanation of the application proposals with particular emphasis on major expenditures and other significant aspects of the application. The presentation is intended to provide a less formal environment in which information can be shared in an open dialogue between the utility, Board staff and intervenors and which may allow for the early identification of potential issues. The commissioners of the Board do not attend the presentation and it is not open to the public and is not recorded or transcribed. If mutually agreed by the participants, materials from the presentation, including the presentation slideshow, summary, or meeting notes may be filed as part of the record.

**f. Requests for Information**

Requests for information (“RFIs”) may be filed by the parties or the Board in the format prescribed by the Board. Responses to RFIs should provide a fulsome answer addressing all the issues raised in the request. Responses should also include additional relevant information which may not have been specifically requested but which may be informative with respect to the issues raised in the RFI. Utility responses to RFIs should include a sworn affidavit attesting to the accuracy of the information contained in the responses.

**g. Technical Conference**

A technical conference may be held where the Board determines that it would assist in providing a full understanding of the scope and nature of a specific capital budget expenditure or a significant issue associated with the capital budget application. The scope of the technical conference will be defined by the Board and will normally be limited to specific matters. The utility will ensure the attendance of appropriate individuals, including experts, who can speak to the issues to be addressed. The commissioners of the Board will not normally attend the technical conference and it will not be open to the public and will not be recorded or transcribed. At the discretion of the Board, it may be determined that commissioners will attend the technical conference and, where this is the case, it will be recorded and transcribed but will not be open to the public.

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<sup>2</sup> See sections 9 and 13 of the *Regulations* for requirements with respect to intervenor submissions, letters of comment and presentations.

#### **h. Site Visit**

A utility may, on its own initiative or as directed by the Board, provide an opportunity for a site visit as part of a capital budget application proceeding. Commissioners will not participate in the site visit and it will not be open to the public or recorded or transcribed.

#### **i. Hearing**

Annual capital budget applications will normally be conducted through a public written hearing process. Through this process the utility will be required to provide comprehensive documentary evidence which fully supports all of the proposals in the application and intervenors will be provided with a full and fair opportunity to challenge the application proposals. The process will provide for the timely and cost-effective determinations of the Board to ensure effective and efficient oversight of utility capital budget applications.

An oral hearing of an annual capital budget application may be held where the Board determines, on its own motion or at the request of a party, that it is necessary to assist the Board in gaining a full understanding of the issues to be decided in the application. For example the Board may decide that an oral hearing should be held to address evidentiary concerns. A party requesting an oral hearing must set out the reasons for the request, demonstrating that an oral hearing is required in the circumstances. In making its determination as to whether there will be an oral hearing the Board will consider all of the circumstances including the reasons provided in support of a party's request, the application proposals and supporting evidence, the issues and expenditures to be addressed, responses to the RFIs and other evidence, including intervenor evidence. The Board may limit the scope of an oral hearing to one or more issues, a particular witness or submissions of the parties.

Where the Board determines that there will be an oral hearing the parties are required to provide an issues list and a witness list in advance of the hearing clearly setting out the issues to be addressed and the witnesses who will be presented with respect to each of the issues.

### **2. Schedule**

Upon receipt of an annual capital budget application a schedule of dates will be established by the Board. The schedule will provide reasonable timeframes for the utility to present its case and for intervenors to participate fully and fairly, with a view to the issuance of the Board's Order prior to the end of the year. The Board may amend an established schedule, either at the request of a party or on its own motion. Appendix B provides guidance as to the schedule which will be established by the Board for capital budget applications but does not alter the Board's discretion to establish different dates where appropriate.

### **3. Evidence**

The burden of proof is on the utility to provide sufficient evidence to justify its capital budget application proposals. In making its determinations with respect to a utility's annual capital budget application the Board will consider the evidence on the record in the proceeding and determine the weight to be given to the evidence. This evidence may include the application and supporting materials, other evidence filed, including intervenor evidence, responses to the RFIs, transcripts, written submissions and comments. In addition the Board may consider its previous decisions and/or regulatory and judicial precedent.

#### **4. Major Capital**

Where a capital budget application proposes a major capital expenditure which may have significant implications for the electricity system, customers or the utility, the Board may determine that there should be a separate process to address the proposal. In making its determination the Board will consider whether a separate proceeding would be of assistance to the Board in gaining a full understanding of the issues to be addressed in relation to the proposal. For example a separate process may be established where the Board determines that a proposed expenditure may require a more focussed review with additional or different processes or procedures which may have the potential to unduly delay or complicate the considerations of the other proposals in the capital budget application. The magnitude of the expenditure is only one of the factors which will be considered by the Board in making its determination.

#### **5. Leases**

A utility may seek the approval of the Board for a capital expenditure on the basis that it may proceed either by way of a purchase or a lease. In this case, in addition to the usual information required, the utility will advise the Board as to the lease and purchase options that are available and seek the approval of the Board to proceed with the capital item either by way of lease or purchase, depending on the net present value.

#### **6. Multi-year Projects**

The proposed expenditures for each year of a multi-year project will be considered together in the initial year of the application. Where a utility confirms in its capital budget application in subsequent years that the scope, nature and magnitude of the project continues to be consistent with the original approval, further approval of the project is not required. If there is a material change in a subsequent year the expenditures will be subject to further review. A change will be considered material if the nature or scope of the project changes such that that original rationale provided is no longer applicable or where the revised forecast expenditure exceeds the approved amount by 10% or more.

#### **7. Allowance for Unforeseen Items**

An allowance for unforeseen items will be approved by the Board for each utility as part of the utility's annual capital budget application. The purpose of this allowance is to permit the utility to act expeditiously to deal with events affecting the electrical system which cannot wait for the specific approval of the Board. The allowance should be used only for expenditures which are so urgent that any delay would have serious negative consequences. A supplemental capital expenditure application should be filed for approval of related capital expenditures for aspects of the project which are not urgent.

Before proceeding with work using the allowance for unforeseen items, or as soon as practical thereafter, the utility must notify the Board that it intends to proceed with an expenditure greater than \$50,000 without the approval of the Board. Notification of the use of the allowance may be through email or a telephone call, confirmed by an email as soon as practicable.

Within 30 days of the initial notification the utility shall file a detailed report demonstrating that delaying the start of the work for the approval of the Board would have had unacceptable implications for safety,

reliability or asset integrity. The report should set out all available information with respect to:

1. the circumstances of the expenditure;
2. any reliability or safety issues;
3. why the work was not anticipated in the annual capital budget;
4. the alternatives considered;
5. the financial effects of each alternative and the reasons for the chosen alternative;
6. a timeline setting out all relevant dates;
7. the nature and scope of the work;
8. the detailed costs incurred;
9. any other implications for other aspects of the utility business/system;
10. a time frame for providing any outstanding information which may not be available within the 30 day time period; and
11. a time frame for the filing of a final report.

As soon as practicable upon completion of the work the utility shall file a final report providing any outstanding information and updates detailing the work which was completed and the total capital expenditures. This report should be copied to the intervenors in the utility's most recent annual capital budget application.

An application should be filed for approval to add an amount to the allowance for unforeseen items where the utility anticipates that the approved allowance may be exceeded in a year. This application should demonstrate that the utility's usage of the allowance for unforeseen items to-date in the year is in accordance with this policy. This application should be copied to the intervenors in the utility's most recent annual capital budget application.

## **B. SUPPLEMENTAL CAPITAL EXPENDITURES**

A utility may submit an application for approval of a supplemental capital expenditure which was not included in its capital budget application for the year, where the expenditure is necessary and cannot be delayed until the next year but is not so urgent as to justify using the allowance for unforeseen items. When submitting an application for approval of a supplemental capital expenditure the utility is not required to apply for approval to increase the total approved annual capital budget.

A supplemental capital budget application shall include supporting documentation to enable the Board and interested persons to understand the nature, scope and justification of the proposed capital expenditures. The application should be supported with evidence and analysis similar to the requirements for annual capital budget applications and, in addition, should provide evidence as to:

1. why the project was not anticipated and included in the last annual capital budget application;
2. why the project cannot wait until the next annual capital budget application; and
3. whether the approval of the project may impact previously approved capital budget expenditures.

Supplemental capital budget applications should be copied to the intervenors in the utility's most recent annual capital budget application.



## **C. CAPITAL EXPENDITURES REPORT**

A utility is required to file a report by March 1 of each year with respect to its capital expenditures in the previous year. The utility shall provide a copy of this report to the intervenors in its most recent annual capital budget application. This report should include:

1. A detailed explanation for each variance where the actual expenditure was greater than the approved expenditure by both \$100,000 and 10%. The utility will provide a full explanation of the reason for the variance setting out any change in scope, schedule and budget.
2. A discussion of approved capital expenditures which were modified, re-prioritized, deferred, re-paced, or cancelled. The utility shall demonstrate its decision making process, including why these capital items were selected for modification, re-prioritization, deferral, re-pacing or cancellation. A summary should be provided, in table and graphical format, of the variances both on a dollar and percentage basis for each of the last 10 years.
3. Where the total approved capital budget, including both the approved supplemental capital expenditures and the expenditures related to unforeseen items, is exceeded by 10% in a year the report should include an explanation of all of the components that caused the actual total capital expenditures in that year to exceed the total approved capital budget and the efforts made to maintain the overall level of capital expenditures. Should the variance in any two consecutive years exceed 10%, the report should address whether there should be changes to the utility's forecasting and capital budgeting process.
4. Key Performance Indicators: The report shall set out a summary, in table and graphical format, of the following variance metrics for each of the last 10 years in aggregate and for each investment classification.
  - a. For projects:
    - (i) the number of projects planned and the number of projects completed by materiality threshold; and
    - (ii) the original budget value of projects completed and final cost of projects completed by materiality threshold (does not include ongoing projects).
  - b. For programs:
    - (i) the number of units planned and the number of units completed by materiality threshold; and
    - (ii) the estimated average unit cost and actual average unit cost.
5. An explanation as to the approach taken with respect to approved lease/purchase options.
6. A summary report detailing the use of the allowance for unforeseen items.

## **D. RELATED APPLICATIONS**

### **1. Abandonment of Plant**

If a capital expenditure is related to the abandonment of plant requiring approval of the Board under section 38 of the *Act*, the application for abandonment of plant and the application for approval of the capital expenditures should be filed together.

### **2. Contributions In Aid of Construction**

If there is a contribution in aid of construction associated with a supplemental capital expenditure application the two applications should be filed together.

**APPENDIX A  
ANNUAL CAPITAL BUDGET APPLICATION FILING REQUIREMENTS**

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Annual capital budget applications should be filed with comprehensive information clearly describing and supporting the proposals and demonstrating that all reasonable alternatives were considered. The specific information which should be provided and the format for this information is set out below.

## **I. GENERAL CONTEXT**

An annual capital budget application should include information which provides the overall context for the application proposals, including:

### **A. APPLICATION SUMMARY**

A summary of the capital budget application and a discussion of the major activity drivers in each of the investment classifications.

A discussion of the process followed to determine the expenditures which would be proposed and to confirm that these expenditures could not or should not be modified, re-prioritized or deferred until a future year. This should include an explanation as to:

1. The expenditures which had been planned for the year but which were modified, re-prioritized or deferred until a future year.
2. The expenditures which are proposed for the year after having been deferred in a previous year.

### **B. RELIABILITY INFORMATION**

Historic and forecast system reliability trend information, including:

1. System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) graphs and tables for the overall electrical system as a whole and any relevant sub-segments (e.g., individually or collectively as a grouping):
  - a. Historical: Past 10 years with and without Externally Caused Outages<sup>3</sup>, and with and without Major Events<sup>4</sup>.
  - b. Forecast or Target: Next 5 years without Externally Caused Outages and without Major Events.
  - c. Benchmarking against similar utilities.
2. A list of the 10 worst performing feeders including relevant outage statistics compared to utility averages (e.g., SAIDI, SAIFI) for the past 10 years with and without major events, even if there is no proposed capital expenditures for these feeders. Where there are proposed capital expenditures related to one of these feeders, the information should address the particular issues.

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<sup>3</sup> Externally Caused Outages are generally outages that result from upstream outages or issues created by third parties that are outside the utility’s direct control (e.g., upstream utility) or influence (e.g., third party not under direct supply contract with the utility).

<sup>4</sup> Major Events include events such as major weather events (e.g., ice storms, hurricanes/typhoons/tropical storms, wind storms), natural disasters (e.g., flood, wildfire, earthquake), and acts of aggression (e.g., major civil unrest/riots, terrorism, war).

**C. RATE IMPACT SUMMARY**

Summary of rate impacts (historic and current) information including graphs and tables of customer rates for the overall electrical systems as a whole and any relevant sub-segments (e.g., different systems), excluding pass-throughs over which the utility has no control (e.g., 3<sup>rd</sup> party utility rates):

1. Historical Rates: Actual electricity rates for the past 10 years.
2. Proposed Budget Impact: Revenue requirement impact and indicative electricity rates assuming that the proposed capital budget is approved in full.

**D. CAPITAL EXPENDITURES SUMMARY**

Summary of capital expenditures and capital budgets (historic, current, and forecast) including graphs and tables of annual capital budgets and expenditures:

1. Historic Capital: Actual capital for the past 10 years.
2. Current Capital Budget.
3. Forecast Capital: Forecast capital budgets for the next 5 years.

**E. FIVE-YEAR CAPITAL PLAN**

A five-year capital plan which focusses on strategic spending priorities, addressing:

1. Shifts in the utilities spending priorities in the coming five years.
2. The circumstances contributing to shifts in priorities.
3. The alternative approaches being considered by the utility.

**II. ORGANIZATION**

The information included with an annual capital budget application should be organized by investment classification, whether it is a project or program, and by materiality.

**A. INVESTMENT CLASSIFICATION**

All capital expenditures shall be organized and classified into investment classifications as described below.

**Investment Classification**

<b>Investment Classification</b>	<b>Description</b>	<b>Example Drivers</b>	<b>Example Projects / Programs</b>
Mandatory	Investments prescribed by a governing body such as the provincial or federal government and the Board.	Legislation (including associated regulation) Board Order	<ul style="list-style-type: none"> <li>▪ PCB Phase Out Project (e.g., PCBs in transformers)</li> <li>▪ Board Orders</li> </ul>
Access	Investments modifying (including asset relocations) a utility's	Customer service requests	<ul style="list-style-type: none"> <li>▪ New customer connections</li> <li>▪ Modifications to existing customer connections</li> </ul>

Investment Classification	Description	Example Drivers	Example Projects / Programs
	electrical system that a utility is obligated to perform to provide a customer (either load or generation customer) or group of customers with access to electricity services	Third party infrastructure development  Mandated service obligations	<ul style="list-style-type: none"> <li>▪ Modifications for property or infrastructure development (e.g., pole relocations for road widening)</li> <li>▪ Metering</li> <li>▪ Long term load transfer</li> </ul>
System Growth	Investments modifying a utility's system to meet forecast changes in customer electricity resource requirements	Investments to address expected resource plan driven changes (e.g., positive or negative load growth)	<ul style="list-style-type: none"> <li>▪ Generation resource additions or retirements</li> <li>▪ Capacity additions or retirements (e.g.,</li> <li>▪ System extensions or retractions (e.g., distribution or transmission system coverage changes)</li> </ul>
Renewal	Investments replacing and/or refurbishing system assets to extend their service life, and thereby maintain the ability to provide customers with their current electricity services.	Assets or Asset Systems at the end of their service life due to: <ul style="list-style-type: none"> <li>▪ Asset condition</li> <li>▪ Substandard performance</li> <li>▪ Risk (probability and consequence of failure)</li> <li>▪ Functional obsolescence (not supply chain obsolescence)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Programs to refurbish/replace assets (by type) or asset systems (by type) with assets of similar functionality and performance (e.g., cable splices/conductor, poles, insulators, switchgear, transformers, generation and ancillary systems, civil works (e.g., dams) etc.)</li> </ul>
Service Enhancement	Investments modifying a utility's system to meet system operations requirements in a more efficient and/or effective manner.	<ul style="list-style-type: none"> <li>▪ System operational objectives</li> <li>▪ Safety</li> <li>▪ Reliability</li> <li>▪ Power quality</li> <li>▪ System efficiency / losses</li> <li>▪ Other performance / functionality objectives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Protection &amp; control upgrades (e.g., reclosers, tap changer controls/relays, transfer trip)</li> <li>▪ Automation (new/upgrades)</li> <li>▪ Efficiency improvements (e.g., runner replacement, and transmission and distribution loss reductions)</li> </ul>

Investment Classification	Description	Example Drivers	Example Projects / Programs
General Plant	Investments in a utility's assets that are not part of its generation, transmission and distribution system including land and buildings, tools and equipment, rolling stock and electronic devices and software used to support day to day business and operations activities.	<ul style="list-style-type: none"> <li>▪ System capital investment support</li> <li>▪ System maintenance support</li> <li>▪ Business operations efficiency</li> <li>▪ Non-system physical plant</li> </ul>	<ul style="list-style-type: none"> <li>▪ Land</li> <li>▪ Depreciable improvements (e.g., buildings)</li> <li>▪ Equipment and tools</li> <li>▪ IT/finance/admin/billing software and systems</li> <li>▪ Rolling stock</li> <li>▪ Intangibles (e.g., land rights, capital contributions to other utilities)</li> </ul>

## B. PROJECTS AND PROGRAMS

Capital expenditures should be categorized as either a project or a program.

Projects correspond to individual capital investments, typically of a non-repetitive nature, which are justified and budgeted separately from capital programs. Characteristics of a project include, but are not limited to:

1. Assets: One identifiable asset or a reasonably well-defined collection of identifiable assets (i.e., an enumerated asset list across a defined geography).
2. Schedule: Defined start and stop dates, not ongoing indefinitely.
3. Budget: Defined budget value over a fixed period of time (i.e., single year or multi-year).
4. Materiality: Evidentiary requirements will be based on individual project budget.

Programs are capital investments comprised of a number of asset-related activities that are high volume, repetitive, like-for-like capital replacements, enhancements, or additions that are expected to continue into the foreseeable future. Characteristics of a program include, but are not limited to:

1. Number of Assets: Defined by an asset class (e.g., distribution poles, meters, rolling stock) rather than an individual asset or a facility comprising a collection of assets in a bounded geographic location (e.g., generation asset investments are typically project based rather than program based).
2. Schedule: Ongoing and repetitive, no defined start or stop dates.
3. Budget: Annual budget that is renewed annually, although volume may ebb and flow across time.
4. Materiality: Generally, programs comprise assets with individual asset values significantly less than the lowest materiality threshold (e.g., distribution pole top transformer replacements, but not substation transformer replacements), but evidentiary requirement is based on the overall program budget.

One or more projects and/or programs may be listed in each investment classification. It is generally

expected, but it is not a requirement, that the following categories of projects and programs appear within the different investment classifications:

<b>Investment Classification</b>	<b>Project</b>	<b>Program</b>
Mandatory	Yes	No
Access	Yes	Yes
Renewal	Yes	Yes
System Growth	Yes	No
Service Enhancement	Yes	No
General Plant	Yes	Yes

### **C. MATERIALITY**

Capital expenditures should be segmented based on materiality as set out below.

1. Expenditures under \$1 million
2. Expenditures between \$1 million and \$5 million
3. Expenditures over \$5 million

The materiality categories apply to purchases and improvements, based on “all in” capital costs up to the time the asset enters service, and capital leases, based on the lifetime cost of the lease.<sup>5</sup>

While approval is required for all expenditures greater than \$50,000 it is expected that more significant expenditures require more comprehensive information. Expenditures in excess of \$5 million are considered significant expenditures which must be supported with more comprehensive documentation, including engineering or other technical reports. Expenditures of less than \$1 million would normally require less documentation.

### **III. REQUIRED INFORMATION**

Based upon the investment classification, whether the expenditure is a project or program, and the materiality threshold, the information described below must be provided. Where a utility is not able to provide the required information it should provide other available information which may be of assistance in relation to the matter.

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<sup>5</sup> The lifetime cost of the lease assumes that the lease was renewed on similar terms throughout the anticipated useful life of the asset. In cases where the asset is being leased based on a shorter total leasing period than the anticipated useful life of the underlying asset, justification for the shorter leasing period must be provided.

**Required Information**

Investment Classification	Data Item	Data Description	Materiality Criteria		
			<\$1 M	\$1M - \$5M	>\$5 M
All	Project / Program Description	Description of the project / program including need, objective, current performance of the affected assets and relevant operational criteria. For example, for generators the typical operating regime (e.g., base load, load following, standby etc.), and any relevant seasonal constraints.	X	X	X
All	Asset Class	Specify asset class	X	X	X
All	Asset History	Brief history of asset(s) including any relevant historical work or asset management activities that are relevant to the Capital Budget Application.		X	X
All	Scope of Work	Description of the scope of work that is budgeted	X	X	X
All	Budget	Project: <ul style="list-style-type: none"> <li>▪ Single Year: Cost of work to be completed in the current budget year</li> <li>▪ Multi-Year: Schedule of costs for work to be completed over multiple years</li> <li>▪ Estimate classification and expected range of actual cost</li> </ul> Program: <ul style="list-style-type: none"> <li>▪ Graph of 5-year historical program budget, current budget, and 5-year forecast budget</li> </ul>	X	X	X
All	Schedule	Project: Schedule with defined start and stop dates Program: Continuous routine	X	X	X
1 - Mandatory 2 - Access 3 - Renewal 6 - General Plant	Trending	Project: None Program: Graphs of 5-year historical, current, and 5-year forecast of: <ul style="list-style-type: none"> <li>▪ Number of assets installed/replaced/upgraded per year</li> <li>▪ Average unit cost of asset installation/replacement/upgrades in each year</li> </ul>		X	X
All	Anticipated Useful Life	Project: Expected useful life of asset	X	X	X
3 - Renewal 5 - Service Enhancement 6 - General Plant	Asset Age	Project: Asset Age(s) Program: Graph of Asset Ages (X-Axis: Age, Y-Axis: Asset Counts)	X	X	X



3 - Renewal 6 - General Plant	Asset Condition	Project: Quantified asset condition and supporting documentation. Program: Graph of quantified asset conditions (X-Axis: Condition, Y-Axis: Asset Counts) and support inspection report(s) or inspection process		X	X
3 - Renewal 5 - Service Enhancement 6 - General Plant	Condition Based Remaining Life (optional)	Project: Expected Remaining Life based on Condition Program: Graph of Expected Remaining Life based on Condition (X-Axis: Expected Remaining Life, Y-Axis: Asset Counts)		X	X
3 - Renewal 5 - Service Enhancement 6 - General Plant	Historical Reliability	Project: Summary of historical outages including frequency, duration, and root cause. Program: Summary of outage statistics over the past 5 years (e.g., contributions to SAIDI and SAIFI by root cause)		X	X
1 - Mandatory 3 - Renewal 4 - System Growth 5 - Service Enhancement 6 - General Plant	Alternatives	Project: The following alternatives shall be considered (one of which may apply to the proposed project): 1) Defer project and maintain status quo addressing, to the extent possible, the risk of deferral for one or more years, in terms of reliability impact, safety, human resource requirements, and the impact on other capital projects. 2) Upgrade life extension (targeted capital or major maintenance / refurbishment to extend useful asset life) 3) Like-for-like asset replacement (e.g., like-for-like replacement in cases where the utility proposes non-like-for-like replacement) 4) Pooling and clustering options 5) Alternative Strategies (such as abandonment, use of spares, mobile backup options. etc. in cases where a non-like-for-like strategy is possible (e.g., due to forecast supply or load changes))  Program: 1) Pace reduction 2) (Optional) Pace advancement 3) Alternative strategies (such as abandonment, use of spares, mobile backup options, etc. in cases where a non-like-for-like strategy is		X	X

		possible (e.g., due to forecast supply or load changes))  Alternatives shall be evaluated so that they can be compared on an equivalent cost/benefit and/or risk basis to the proposed alternative.			
1 - Mandatory 3 - Renewal 4 - System Growth 5 - Service Enhancement 6 - General Plant	Cost Benefit Analysis	Projects and programs shall be evaluated using a cost benefit analysis that has the following features: 1) Cost: Full Life Cycle Cost Evaluation (i.e., fully capitalized development, construction, operations & maintenance, fuel, capital upgrades, decommissioning/abandonment) including all direct costs and indirect costs (e.g., finance charges such as AFUDC and overhead allocations) 2) Benefits: Benefits beyond baseline benefits associated with status quo (e.g., load served, ratepayer benefits, reliability benefits, energy efficiency benefits, cost savings, etc.) 3) NPV: All calculations shall be made on an NPV basis with clearly defined assumptions and inputs. 4) Basis of Comparison: The basis for comparing alternatives on a cost benefit basis shall be consistent with industry practice (e.g., base load generation uses Levelized Cost of Energy, peaking generation uses Levelized Cost of Capacity or equivalent metrics). 5) Risk - Safety / Environment: If non-monetary cost/benefits are used in the cost benefit comparison, an equivalency shall be established between monetary and non-monetary cost/benefits.		X	X
All	Risk of asset stranding	Demonstrate that the proposed investment does not pose undue risk that the capital addition will be stranded before its useful life has been reached.	X	X	X
3 - Renewal 5 - Service Enhancement 6 - General Plant	Risk	Projects and programs shall be evaluated for risk mitigation in the following categories: 1) Reliability 2) Safety	X	X	X

		<p>3) Environment</p> <p>Risk mitigation shall be calculated as the difference in risk before and after the proposed alternatives were implemented.</p> <p>The calculation of risk shall conform to an internationally recognized standard for calculating risk.</p> <p>The evaluation shall be supported by a documented risk management program that clearly demonstrates how risk is evaluated and equivalency given to the different risk elements (i.e., how risk-based prioritization functions), and how risk reduction is calculated.</p>			
All	Additional Supporting Documentation	Where appropriate, the utility is expected to provide additional information such as a report/analysis by a qualified engineer, independent consultant, or other appropriate expert, to justify the project and/or program. For projects greater than \$5 million the utility should provide this additional information.		X	X

**IV. PRIORITIZATION**

Annual capital budget applications should include a prioritized list of all projects and programs. The prioritized list should be organized by investment classification as follows:

1. Mandatory
2. Access
3. System Growth
4. Renewal, Service Enhancement and General Plant:
  - a. Risk Prioritized: List of Renewal, Service Enhancement and General Plant projects and programs ordered by risk mitigated per dollar spent. Previously approved multi-year projects should be at the top of the list without a risk mitigation value.
  - b. Reliability Impact Prioritized: List of Renewal, Service Enhancement and General Plant projects and programs ordered by reliability improvement per dollar spent. Previously approved multi-year projects should be at the top of the list without a reliability improvement value.

**APPENDIX B  
2023 ANNUAL CAPITAL BUDGET APPLICATION SCHEDULE**

The schedule for the 2023 annual capital budget applications will be established by the Board in consideration of the dates set out below. The Board in its discretion may establish different dates and may make changes to the established dates during the proceeding, upon the request of a party or on the Board's own motion.

<b>ACTION</b>	<b>NP 2022</b>	<b>Hydro 2022</b>
Capital budget application filed	June 30	July 14
Notice published	July 9	July 23
Intervenor submissions filed	July 20	August 3
Utility presentation	July 25	August 8
RFIs filed	August 8	August 22
RFI responses filed	August 22	September 6
Request for a technical conference filed	August 24	September 8
Technical conference	August 31	September 15
Intervenor evidence filed	September 7	September 22
RFIs filed on intervenor evidence, technical conference and previous RFI responses	September 14	September 29
RFI responses filed	September 28	October 13
Request for an oral hearing filed	September 30	October 17
Reply to request for an oral hearing	October 4	October 19
Board determination regarding an oral hearing	October 7	October 24
<b>No oral hearing</b>		
Letters of comment filed	October 14	October 31
Final written submissions filed by intervenors	October 21	November 7
Final written submission filed by utility	October 28	November 14
<b>Oral hearing</b>		
Issues list and witness list filed	October 14	October 31
Oral hearing begins	October 27	November 14
Letters of comment filed	November 4	November 18
Final written submissions filed by intervenors	November 14	November 22
Final written submission filed by utility	November 21	November 29
Oral submissions, if necessary	November 28	December 6