

1 Q. **Reference: Tab C; Volume I: Capital Projects Over \$500,000**

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3 The budgets for a number of annual projects such as Thermal In-Service Failures - \$2,000,000  
4 (page C-13); Provide Service Extensions - \$4,284,000 (page C-39); and Upgrade Distribution  
5 System - \$3,195,000 (page C-47) are based on historical expenditures.

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7 Are there any opportunities to reduce the level of expenditures associated with these types of  
8 projects? Please identify any issues that should be addressed when considering whether these  
9 capital expenditures can be reduced.

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12 A. For the annual Thermal In-Service Failures project, the opportunity to reduce the level of  
13 expenditures is associated with reducing the frequency of unanticipated equipment failures for  
14 the aging but still critical assets at the Holyrood Thermal Generating Station. Newfoundland and  
15 Labrador Hydro (“Hydro”) has an asset management process and strategy for Holyrood to  
16 maintain these critical assets to end of life. However, there are situations when an asset fails  
17 prior to a planned intervention and must be returned to service. Choosing to reduce these  
18 expenditures on failed equipment would impede Hydro’s ability to return assets to service and  
19 likely impede supply to customers. Therefore, Hydro does not foresee these expenditures being  
20 reduced without a broad impact on ability to service customers.

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22 For the Provide Service Extensions projects, Hydro has no specific opportunity to reduce the  
23 level of expenditures since the volume of the work is dictated by customer-driven service  
24 requests, which Hydro has an obligation to fulfill.

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26 For the Upgrade Distribution Systems project, a portion of the historical expenditure is  
27 associated with failed equipment, not only equipment that is *deteriorated*. Hydro could consider  
28 reducing expenditures in this project over time only in the portion of the project that is  
29 allocated for *deteriorated* equipment replacement, while then continuing to monitor reliability  
30 trends. Reduced investment may result in degradation of reliability; however, it is not possible

1 to directly calculate the specific impact reduced investment would have on the system or  
2 individual feeders.

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4 Hydro has already reduced capital investment in the overall 5-year capital plan as part of the  
5 2020 Capital Budget Application to the level currently deemed appropriate. The Upgrade  
6 Distribution Systems project, along with all projects, will to be subject to future scrutiny and  
7 consideration of reduced capital investment.