

1 Q. **Reference: Volume I - Tab 1 - 2022 Capital Budget Overview**

2 The Application states on page 5, lines 9-10, that “A reduction in investment levels for 2022
3 related to light-duty vehicles, roads, and buildings to allow for a more thorough review of
4 required investments in these areas.”

5 a) Please explain how Hydro evaluates/determines whether deferral of capital
6 expenditures in various investment areas can occur in any given year.

7 b) Please explain the difference in Hydro’s normal review process prior to requesting Board
8 approval versus the more thorough review that Hydro is currently proposing on the
9 various investment areas.

10 c) Please explain if Hydro anticipates an increase in future capital expenditures to offset
11 this current reduction in investment levels.

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14 A. a) As noted in Newfoundland and Labrador Hydro's (“Hydro”) response to CA-NLH-013 of this
15 proceeding, projects may be amended or deferred at each step of the capital budget
16 application (“CBA”) review process. Projects are initially reviewed and prioritized by each
17 operational area. At this initial step in the process, the respective 5- and 20-year capital
18 plans for each area are reviewed. Each project is assessed based on a number of key factors
19 including, but not limited to:

20 ● Review of historical documentation, asset health monitoring trends, engineering
21 condition assessments, work order backlogs, and maintenance check sheets;

22 ● Qualitative risk assessment;

23 ● Examination of assets to determine if any replacement criteria are met;

24 ● Assessment of equipment criticality; and

- 1 • Development of high-level execution strategies to ensure resource availability and
2 align major outage requirements to ensure projects with major outages are grouped
3 into a single outage where practicable.

4 Should the outcome of this process indicate that an asset is in appropriate condition to
5 continue to operate reliably, planned investments may be altered.

6 b) Hydro's normal review process is as outlined in its response to CA-NLH-013 of this
7 proceeding. Hydro's reduction in investment levels for 2022 related to light-duty vehicles,
8 roads, and buildings is a result of its ongoing cost management priorities. These areas of
9 investment have been identified for an additional level of examination of expenditures to
10 confirm current investment strategies support cost management priorities. As noted in
11 Hydro's response to PUB-NLH-011 of this proceeding, Hydro's intent in undertaking a review
12 of its light-duty vehicle expenditures is to confirm it is making best use of the vehicles it
13 currently has in inventory prior to making any further investment. Investments related to
14 roads and buildings have been deferred as opposed to being cancelled and therefore are
15 reflected in future years of the five-year plan.

16 c) Investments in roads and buildings have been deferred and are reflected in Hydro's Five-
17 Year Plan (2022–2026).¹ With respect to investments in light-duty vehicles, it is possible that
18 the deferred expenditures may be required in future years. Hydro will better understand the
19 requirement once its review is complete.

¹ "2022 Capital Budget Application," Newfoundland and Labrador Hydro, rev. September 17, 2021 (originally filed August 2, 2021), vol. I, sch. 2.