

1 Q. **Reference: Application**

2 If the Board were to authorize a fixed amount of capital expenditure(s) by Hydro in 2023 that is
3 less than the amount requested and if the Board were to do so without rejecting any particular
4 proposed capital expenditure(s), would Hydro have the judgement, expertise and tools to
5 determine what of its proposed 2023 capital expenditures can be accommodated within that
6 fixed amount considering both work priority and execution capability? Would Hydro proceed
7 with projects according to its prioritization plan?

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10 A. Newfoundland and Labrador Hydro (“Hydro”) has the judgement, expertise, and tools to
11 determine which capital expenditures are necessary for 2023 and it has reflected such in its
12 2023 Capital Budget Application. It is Hydro’s view that a fixed amount of capital expenditure
13 lower than the \$90.8 million proposed would result in a risk to the provision of safe, reliable,
14 least-cost service for customers as Hydro, through its capital budget application preparations,
15 has already taken deliberate action (as outlined in Hydro’s response to CA-NLH-026 of this
16 proceeding) to reduce investment levels where practicable. The projects included in the 2023
17 Capital Budget Application are those deemed necessary for the continued operation of a safe
18 and reliable provincial electricity system. Furthermore, adopting a fixed capital expenditure
19 amount would not reflect current regulatory practice. The project prioritization is one of a
20 number of considerations used by Hydro to inform its total capital investment application.
21 However, it is important to note that even the lowest ranking project is required, otherwise, it
22 would not have progressed through Hydro’s initial screening assessment.