

1 Q. **Reference: Application**

2 With respect to the prioritization process used in the 2023 Capital Budget Application:

- 3 a) Which entity within Hydro is responsible for developing project prioritization and
4 consistency of application across the broad range of projects included in the Application?
- 5 b) How does Hydro senior management communicate to line managers which capital projects
6 were to be included in the 2023 CBA, and which capital projects were to be included in
7 Hydro's planned 2024 to 2027 capital expenditures?

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10 A. a) Oversight of Newfoundland and Labrador Hydro's ("Hydro") project prioritization is the
11 responsibility of the Office of Asset Management, which is the entity responsible for Hydro's
12 Asset Management system. For the 2023 Capital Budget Application, Hydro's prioritization
13 process was led by Hydro's Regulatory Engineering team and was a collaborative multi-
14 disciplinary effort involving Hydro's Engineering Services, Long-Term Asset Planning, and
15 Corporate Strategy, Risk, and Sustainability teams.

16 b) Throughout the 2023 Capital Budget Application preparation process, meetings were held
17 with internal business units and stakeholders to communicate the requirements of the new
18 provisional Capital Budget Guidelines¹ and further anchor back to Hydro's capital planning
19 strategy. This strategy was developed by the executive team in 2020 for the 2021 Capital
20 Budget Application and revised during 2022 Capital Budget Application preparations. The
21 goals of the plan are to responsibly invest in the electrical system to provide an appropriate
22 balance between customer cost and reliability through an evidence-based decision-making
23 process. Since its formalization, the strategy has been and will continue to be presented in
24 all capital planning engagement sessions.

25 The final determination of investments to include in the 2023 Capital Budget Application
26 was a collaborative process between the Long-Term Asset Planning, Engineering, Capital

¹ "Capital Budget Application Guidelines (Provisional)," Board of Commissioners of Public Utilities, January 2022.

1 Planning, and Regulatory teams. Generally speaking, when the Long-term Asset Planning
2 team proposes work for inclusion in a capital budget application, it undergoes a structured
3 review process through which the appropriate scope, estimate, and timing of execution are
4 determined. This process requires engagement from the aforementioned teams to consider
5 all aspects of investment evaluation. In most cases, this group determines the final list of
6 investments for inclusion in the current year's capital budget application and the five-year
7 plan for senior management approval. There are cases where individual investment
8 decisions are determined by senior management, which may be triggered by investment
9 materiality, community engagement opportunities, or investment complexity.