

1 Q. **Reference: Application, 2023 Capital Budget Overview, Tables 8 and 9**

2 a) If the Board were to impose a capital budget envelope, would Hydro use these tables to  
3 prioritize which projects would be completed and which projects would not be completed?

4 b) Is Hydro's project prioritization methodology similar to that used by NP in its 2023 Capital  
5 Budget Application? What are the primary differences?

6 c) It is noted that the Replace Peripheral Infrastructure (i.e., printers and display units) project  
7 has a risk mitigated per \$1 million score of 32.0 while the Salmon River Spillway project has  
8 a score of only 5.3. Does Hydro believe that its prioritization methodology provides an  
9 accurate portrayal of relative risk?

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12 A. a) If a capital budget envelope were to be imposed, Newfoundland and Labrador Hydro  
13 ("Hydro") would consider multiple factors in prioritizing which projects would be completed  
14 and which projects would not be completed. In addition to the data provided in Tables 8 and  
15 9, Hydro would consider outage and resource availability, project schedules, and supply  
16 chain considerations such as material lead times.

17 In circumstances where the approved capital envelope was less than the total proposed  
18 capital budget, the utility's need to re-examine and possibly reprioritize the proposed  
19 projects to determine the method by which to proceed and choose projects for deferral or  
20 modification could add additional time and inefficiency to the regulatory process.

21 Hydro carefully vets projects prior to submission to ensure proposed projects are consistent  
22 with the provision of least-cost, reliable service to its customers. Deferral of prior approved  
23 projects resulting from an additional project approved through a supplemental application  
24 or partial approval of the proposed capital budget may preclude Hydro from achieving  
25 targeted reliability outcomes and risk mitigations. Hydro believes that this would amount to  
26 a requirement to re-justify projects that have already been approved and supported by

1 evidence on record, a process which Hydro believes would not provide value and would  
2 introduce additional inefficiency in the process.

3 **b)** The project prioritization methodologies utilized by Newfoundland Power Inc.  
4 (“Newfoundland Power”) and Hydro are similar in that they utilize internally-derived 5x5  
5 impact/likelihood matrices to calculate risk. Hydro notes that Newfoundland Power has  
6 prioritized projects based on pre-implementation risk, whereas Hydro has prioritized based  
7 on risk mitigated, calculated as the difference in pre- and post-implementation risk, and  
8 based on risk mitigated per \$1 million spent. Hydro also notes that Newfoundland Power  
9 has considered economics in addition to safety, reliability, and environment as factors for  
10 assessing risk, whereas Hydro has not.

11 **c)** Hydro believes that its prioritization methodology is consistent with the methodology as set  
12 out in the provisional Capital Budget Application Guidelines.<sup>1</sup> For discussion of the  
13 limitations and challenges observed by Hydro in implementing this methodology, please  
14 refer to Hydro’s response to PUB-NLH-004 of this proceeding.

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<sup>1</sup> “Capital Budget Application Guidelines (Provisional),” Board of Commissioners of Public Utilities, January 2022.