

1 **Q. (Reference Application) Please provide all documentation between**
 2 **Newfoundland Power senior management and line managers with respect to**
 3 **the 2023 CBA relating to prioritization and cost efficiencies by Newfoundland**
 4 **Power.**

5
 6 A. The documentation relied upon by Newfoundland Power to prioritize the capital projects
 7 for 2023, including those based primarily on cost efficiencies, is contained within the
 8 Company's *2023 Capital Budget Application*.¹
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10 Newfoundland Power balances the cost and reliability of its service delivery through a
 11 comprehensive capital planning process and a focus on the overall costs borne by
 12 customers through customer rates.² It is a collaboration between managers, as well as
 13 senior management, to determine the nature, scope and timing of capital projects
 14 included in its annual capital budget and which projects can be deferred. This process
 15 employs practices to ensure capital projects are consistent with the delivery of reliable
 16 service to customers at the lowest possible cost.³
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18 Certain capital projects are prioritized through the Company's capital planning process to
 19 reduce overall costs to customers, such as:
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- 21 (i) *LED Street Lighting Replacement* project. This project involves the replacement
 22 of existing High Pressure Sodium ("HPS") street light fixtures with Light Emitting
 23 Diode ("LED") fixtures. LED fixtures require 60% less energy to provide
 24 equivalent lighting output and require less maintenance. Current customer rates
 25 for LED street lights are between 12% and 44% lower than rates for HPS street
 26 lights.⁴
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- 28 (ii) *Electric Vehicle Charging Network* project. This project involves the installation
 29 of publicly available fast charging infrastructure for electric vehicles and is part of
 30 a portfolio of customer electrification initiatives that seeks to accelerate electric
 31 vehicle adoption in the province. These electrification initiatives are currently
 32 estimated to provide a rate mitigating benefit for customers of approximately
 33 0.9 cents/kWh by 2034.⁵
 34
- 35 (iii) *Mobile Hydro Plant Refurbishment* project. This project involves the
 36 refurbishment of the Mobile hydroelectric plant (the "Mobile Plant" or
 37 the "Plant"). A comprehensive lifecycle analysis of the Mobile Plant was

¹ For a discussion of Newfoundland Power's prioritization methodology, see the *2023 Capital Budget Application, 2023 Capital Budget Overview, Appendix C*. See also, the responses to Requests for Information PUB-NP-003 and CA-NP-038.

² For a fulsome discussion on how Newfoundland Power balances cost and service reliability, see the *2023 Capital Budget Application, 2023 Capital Budget Overview, Section 2.3 Balancing Cost and Service*.

³ In some instances, the Company's ability to reduce its capital costs is practically limited. For example, approximately one quarter of capital expenditures included in the *2023 Capital Budget Application* are associated with requirements to connect new customers and respond to system load growth. These expenditures are required as part of Newfoundland Power's obligation to serve.

⁴ See the response to Request for Information PUB-NP-007.

⁵ See the response to Request for Information PUB-NP-011.

1 completed for this project. The analysis showed the Plant's production provides
 2 a net benefit for customers between 5.14 ¢/kWh and 6.79 ¢/kWh. The cost of
 3 replacement production would need to be reduced by between 66% and 72% to
 4 be less than the cost of operating the Plant.⁶

5
 6 (iv) *Sandy Brook Hydro Plant Generator Refurbishment* project. This project involves
 7 refurbishing the generator at the Sandy Brook hydroelectric plant (the "Sandy
 8 Brook Plant" or the "Plant"), located on a tributary of the Exploits River. An
 9 economic analysis of the Sandy Brook Plant completed in 2021 as part of the
 10 penstock replacement showed that the benefits of the Plant's production exceed
 11 the cost of production. An updated economic analysis was completed in 2022
 12 which confirmed the net benefit of Plant production is still between 2.58 ¢/kWh
 13 and 4.61 ¢/kWh based on the most recent changes in marginal costs.⁷

14
 15 (v) *Application Enhancements* project. This project includes the enhancement or
 16 replacement of five software applications in 2023 to reduce costs to customers or
 17 improve customer service delivery. Combined, the Digital Forms Portfolio
 18 Enhancement, Virtual Meeting System Replacement, and Environment, Health
 19 and Safety System Replacement will provide a positive net present value for
 20 customers of approximately \$283,000. The GIS Enhancement will eliminate
 21 annual subscription fees of \$35,000.⁸

22
 23 Newfoundland Power also uses a variety of measures through its capital planning
 24 process to ensure proposed capital expenditures are consistent with the least-cost
 25 delivery of reliable service to customers. These include:

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 27 (i) An assessment of alternatives is completed for capital projects. The *2023 Capital*
 28 *Budget Application* includes assessments of alternatives for 19 projects and
 29 programs.⁹ As an example, three alternatives were explored for the
 30 *Transmission Line 55L Rebuild* project. A net present value analysis determined
 31 that rebuilding Transmission Line 55L in a new right of way is the lowest cost of
 32 the viable alternatives.¹⁰

33
 34 (ii) Capital projects are deferred when possible. Five projects that were planned for
 35 2023 have been deferred to subsequent years.¹¹ For example, the *Kenmount*
 36 *Road Building Emergency Diesel and Main Electrical Upgrade* project was
 37 deferred to allow further analysis to confirm the least-cost approach.

⁶ See the *2023 Capital Budget Application, Schedule B*, page 116. See also, the *2023 Capital Budget Application*, report 4.2 *Mobile Hydro Plant Refurbishment, Appendix A: Lifecycle Cost Analysis of the Mobile Plant*.

⁷ See the *2023 Capital Budget Application, Schedule B*, page 120. See also, the *2023 Capital Budget Application*, report 4.1 *Sandy Brook Hydro Plant Generator Refurbishment*, page 8.

⁸ See the *2023 Capital Budget Application, Schedule B*, page 137.

⁹ See the *Assessment of Alternatives* section for the relevant capital projects and programs in *Schedule B* to the *2023 Capital Budget Application*.

¹⁰ See the *2023 Capital Budget Application, Schedule B*, page 106. See also, the *2023 Capital Budget Application*, report 3.1 *Transmission Line Rebuild*, page 7.

¹¹ See the *2023 Capital Budget Application, 2023 Capital Budget Overview, Appendix B*.

1 (iii) Capital expenditures are targeted in the areas that provide the most benefits for
2 customers. For example, the Company's *2023 Distribution Reliability Initiative*
3 includes targeting the replacement of 6.5 kilometres of deteriorated conductor
4 where customers experience among the worst service reliability in Newfoundland
5 Power's service territory.
6

7 (iv) Capital projects are coordinated, where possible, to realize productivity gains and
8 other cost benefits. For example, the *Sandy Brook Hydro Plant Generator*
9 *Refurbishment* project is proposed to be coordinated with the replacement of the
10 plant's penstock in 2023. This reduces requirements for plant downtime and the
11 need to purchase more expensive replacement production from Newfoundland
12 and Labrador Hydro. If this project were to be deferred to 2024, the cost of
13 replacing the plant's lost production would be approximately \$200,000.¹²
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15 These examples demonstrate how Newfoundland Power's proposed capital projects are
16 reasonable and necessary to provide reliable service to customers at the lowest possible
17 cost. The Company's cost management associated with its capital expenditures has
18 been previously recognized by the Board.¹³

¹² See the *2023 Capital Budget Application*, report 4.1 *Sandy Brook Hydro Plant Generator Refurbishment*, Section 5.0 *Assessment of Alternatives*.

¹³ For example, in Order No. P.U. 36 (2021), the Board stated, "the record shows that Newfoundland Power's capital planning process is comprehensive and includes reasonable controls on capital spending."