

1 Q. **Asset Management**

2 This is in reference to Hydro's 2015 Capital Budget Application; Appendix A;  
3 "*Capital Projects Overview*". Explain how corporate financial and resources limit  
4 each year's capital budget and limit each year's 5-year plan projects up to a specific  
5 ranking, (in the 2014 budget, the project rankings were limited to Rank 46 and in  
6 the 2015 capital budget, the projects were limited to Rank 50).

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9 A. Each year's portfolio of capital projects contains the projects that Hydro has  
10 evaluated and considers justified as necessary for the safe and reliable production  
11 and delivery of electricity to customers. The relative ranking process is a  
12 quantitative means to identify a project's relative importance against other projects  
13 at that current point in time. It is not an absolute scoring system with a defined  
14 cut-off line. The ranking process is also discussed in Hydro's responses to PUB-NLH-  
15 336 and PUB-NLH-381.

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17 The ability to successfully execute a proposed portfolio of capital projects is  
18 considered in light of constraints such as material lead times, physical work space,  
19 availability of limited and specialized tools and equipment, outage requirements,  
20 etc. This occurs for a single year and also across a multiple year horizon. In some  
21 cases, identified conflicts can be effectively addressed by staging projects across  
22 years and applying targeted risk mitigation strategies where necessary and  
23 economically feasible. In cases where this is not possible, Hydro increases its  
24 project execution capacity through the use of both increased internal and external  
25 resources. Hydro also considers the growth rate in its capital program and the  
26 practical limitations to which the number of projects executed can be increased  
27 year over year. In some cases this can lead to the deferral of a lower ranked project

1 to a future year as a means to support successful execution of the overall portfolio  
2 of projects

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4 Upon completion of the ranking process and the completion of the class three  
5 estimates, the total dollar amount of the capital program is reviewed to ensure that  
6 it can be supported through Hydro's cash flow, borrowing capability and financial  
7 targets. To date, financial constraints have not been a determining factor in the  
8 level of capital expenditure for those projects assessed using the ranking process.