

1 Q. **Reference: Application**

2 Under current legislation capital budget applications must be submitted yearly. Would a change  
3 in legislation requiring capital budget application submissions every 3 years as part of a general  
4 rate application lead to a more efficient regulatory process? What are the pros and cons of such  
5 a change in legislation?

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8 A. In its submission to the Board of Commissioners of Public Utilities (“Board”) regarding the  
9 Capital Budget Application Guidelines Review, Newfoundland and Labrador Hydro (“Hydro”)  
10 advised that it believed there could be some benefits for customers in a migration to a multi-  
11 year capital budget application process.<sup>1</sup> Hydro described those benefits as including a better  
12 view of the multi-year nature of many of the utility’s capital investments and greater regulatory  
13 efficiency in the capital budget process. Hydro noted that a multi-year process would also better  
14 accommodate Midgard Consulting Inc.’s recommendations that require additional time and  
15 effort for implementation. A multi-year process would provide additional time for the Board and  
16 interveners to more thoroughly review the proposed capital budget.

17 While there would likely be an increase in supplemental applications in the years between  
18 capital budget application filings to address any developments with capital assets that were not  
19 foreseen, it is not anticipated that such increases would result in an increase in total capital  
20 budget expenditures. Transition to a multi-year approval process would necessitate  
21 modifications to the utility’s internal planning and analysis processes to address the work and  
22 information necessary to prepare a multi-year application. The level of efficiency gained by  
23 moving to a multi-year capital budget application process would depend on how it was  
24 implemented and whether there were additional, related modifications to the capital budget  
25 application requirements and process.

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<sup>1</sup> “Capital Budget Application Guidelines Review – Newfoundland and Labrador Hydro’s Submission,” Newfoundland and Labrador Hydro, June 16, 2021.

1 Hydro did not contemplate a multi-year capital budget application as part of a general rate  
2 application. Hydro is concerned that combining these two applications would complicate the  
3 process and negatively impact regulatory efficiency.

4 Hydro notes that transitioning to a multi-year capital budget application process may also  
5 introduce logistical and operational efficiencies. Multi-year approval of capital investments  
6 would enable Hydro to enter larger, multi-year procurement contracts that may result in lower  
7 per unit pricing. Multi-year approvals would also reduce the costs associated with project  
8 initiation, internal reporting and closeout, and would allow Hydro to avail of opportunities to  
9 optimize outage and resource planning.