

1 Q. **Reference: Board Order No. P.U. 36(2021)**

2 The Board, in Order No. P.U. 36(2021) – Reasons for Decision,

3 acknowledges the rate pressures which are expected in association with the
4 commissioning of the Muskrat Falls Project. The Board believes that, given the
5 circumstances, both Newfoundland Power and Hydro should renew their efforts
6 to provide evidence which demonstrates that every effort is being made to
7 reduce costs for customers while ensuring the continued provision of reliable
8 service.

9 a) With respect to its 2024 CBA, please explain Hydro’s efforts to reduce costs for
10 customers in light of rate pressures brought on by Muskrat Falls.

11 b) Please provide any documentation from Hydro senior management to line managers
12 with respect to the 2024 CBA relating to budget control in light of rate pressures
13 brought on by the Muskrat Falls Project.

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16 A. a) As stated in Newfoundland and Labrador Hydro’s (“Hydro”) Capital Budget Overview,¹ in its
17 aim to balance the provision of reliable service with cost management, Hydro focuses on
18 sound utility asset management practices, condition-based investments (versus age-based
19 investments) where appropriate, and operational and system requirements. Hydro has
20 applied these practices, particularly in recent years, to work toward reduced investment to
21 the minimum capital level prudent to not compromise customer reliability, safety, or the
22 environment. Hydro also continues to refine its budgeting and integrated planning
23 processes to support the efficient execution of its capital plans.

¹ “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 1.

1 Hydro continues to take deliberate actions to achieve a lower level of requested investment
2 in its 2024 Capital Budget Application, as compared to prior years; further detail on Hydro's
3 efforts to manage its capital spend is included in the Capital Budget Overview.²

4 **b)** Documentation was not provided from Hydro senior management to line managers with
5 respect to the 2024 Capital Budget Application relating to budget control, as Hydro's cost
6 management practices as they relate to its capital planning have not changed. As part of its
7 capital investment strategy, Hydro does consider customer impact when making capital
8 investment decisions and strives to achieve the appropriate balance between environmental
9 responsibility, customer cost, and reliability. Hydro's capital investment strategy, included in
10 Figure 2 of the Capital Budget Overview,³ was developed by the executive team in 2020 and
11 updated during the 2024 Capital Budget Application preparations. The goals of the plan are
12 to responsibly invest in the electrical system to provide an appropriate balance between
13 environmental responsibility, customer cost and reliability through an evidence-based
14 decision-making process. Since its formalization, the strategy has been and will continue to
15 be presented in all capital planning engagement sessions.

16 The final determination of investments to include in any capital budget application is a
17 collaborative process between the Long-Term Asset Planning, Engineering, Capital Planning,
18 and Regulatory teams. The final list of investments selected for inclusion in the current
19 year's capital budget application and the five-year plan for senior management approval are
20 aligned with the capital investment strategy and include cost considerations to minimize
21 impacts to ratepayers⁴ while delivering safe and reliable service in an environmentally
22 responsible manner.

² "2024 Capital Budget Application," Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 1, s. 5.2, p. 22.

³ "2024 Capital Budget Application," Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 1, p. 7, fig. 2.

⁴ As highlighted in Hydro's rate impact summary, "2024 Capital Budget Application," Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 1, s. 6.9, pp. 33–34.