

1 Q. **Reference: Application**

2 The Midgard report titled Capital Budget Application Guideline Review filed with the Board on  
3 October 29, 2020 states (page 61):

4 declaring that a project went to competitive tender as evidentiary justification  
5 for meeting least cost reliable services does not address key Board questions  
6 such as “At what unit cost are system reliability and risk profile improved by the  
7 project”, “Does the ratepayer value the improvement in system reliability and  
8 risk reduction more than the project cost?”, and “How cost effective are the  
9 proposed improvements in system reliability and risk reduction compared to  
10 other budget items being proposed and other alternatives that are available?

11 Has Hydro provided answers to these questions in the 2024 CBA? If so, please provide all  
12 references.

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15 A. In its filing, Newfoundland and Labrador Hydro (“Hydro”) endeavoured to comply with the  
16 Board of Commissioners of Public Utilities’ provisional Capital Budget Application Guidelines.<sup>1</sup> In  
17 doing so, Hydro’s project/program prioritization, provided in Hydro’s Capital Budget Overview,<sup>2</sup>  
18 provides the risk mitigated per \$1 million spent, which answers the question “At what unit cost  
19 is risk profile improved by the project” and “How cost-effective are the proposed improvements  
20 in system reliability and risk reduction compared to other budget items being proposed and  
21 other alternatives that are available?” While Hydro does not have sufficient data, metrics, or  
22 processes to determine the reliability improvement per unit cost, reliability is a key component  
23 of Hydro’s risk scoring and is therefore intrinsically considered in Hydro’s risk ranking.

24 To date, Hydro has not assessed whether the ratepayer values the improvement in system  
25 reliability and risk reduction more than the project costs for individual projects or programs. For

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

<sup>2</sup> “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 1, sec. 7.0.

1 details on Hydro's customer engagement, please refer to Hydro's response to CA-NLH-026 of  
2 this proceeding.