

1 Q. **Reference: Capital Expenditures and Carryover Report for the Year Ended December 31, 2022,**
2 **page 2**

3 It is stated

4 Hydro believes that re-evaluating and confirming the requirement for
5 investment prior to work execution and deferring certain capital work if
6 appropriate is consistent with its legislated obligation to provide reliable service
7 at the lowest possible cost to customers.

8 Please reconcile this with the statement made in the 2024 Capital Budget Overview (page 7)
9 that

10 Hydro considers many factors in the selection of the projects and program for
11 inclusion in its budget, including operational risks, ability to execute, total
12 investment, and cumulative risk associated with balancing aging assets while
13 providing least-cost reliable service in an environmentally responsible manner.

14 Was the need for work included in the 2022 CBA not confirmed prior to submission?

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17 A. Newfoundland and Labrador Hydro (“Hydro”) uses the asset information available at the time of
18 filing to determine the appropriate scope of work for capital budget application approval. All
19 work proposed was anticipated to be required within the timeframe of execution presented in
20 the proposal. Where these proposals are developed and presented well in advance of the work
21 commencement, Hydro believes it prudent and consistent with its legislated obligation to re-
22 evaluate work requirements prior to execution. One such example would include the deferral of
23 the Holyrood Gas Turbine combustor inspection, as originally proposed in the 2021 Capital
24 Budget Application.¹ The information available at the time of filing indicated that the engine
25 would have experienced the required amount of equivalent starts to perform this inspection.
26 Due to changes in the operating requirements for this unit, it has yet to reach the required
27 equivalent starts metric. As such, Hydro has not completed this inspection to avoid the

¹ “2021 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. November 2, 2020 (originally filed August 4, 2020).

1 premature inspection and associated costs. In many cases, the decision to carryover project
2 scope is made in favour of overall system reliability, for example, when deferral of work is
3 required to accommodate break-in work deemed more critical for overall system reliability.