

1 Q. **Reference: CA-NLH-009**

2 It is stated “Hydro continues to take deliberate actions to achieve a lower level of requested
3 investment in its 2024 Capital Budget Application, as compared to prior years;...” Is this realistic
4 in light of cost pressures brought on by: 1) the need for additional generating capacity, 2)
5 continuing reliability issues with the LIL, 3) continuing need for the Holyrood TGS and
6 combustion turbines, and 4) increasing demand owing to government net-zero carbon efforts?

7

8

9 A. As stated in Newfoundland and Labrador Hydro’s (“Hydro”) response to CA-NLH-009 of this
10 proceeding, Hydro works toward reduced investment to the minimum capital level prudent to
11 not compromise customer reliability, safety, or the environment. Hydro believes that its capital
12 investment strategy drives an appropriate balance between environmental responsibility,
13 customer cost, and reliability now and in the future. As Hydro noted,

14 Recognizing major investment requirements in the five-year capital plan, Hydro
15 continues to take deliberate actions to achieve a lower level of capital
16 investment where appropriate. As such, Hydro’s 2024–2028 capital plan reflects
17 the capital investments necessary to maintain infrastructure and provide safe,
18 reliable, least-cost electricity for customers, while aiming to balance cost,
19 reliability, and environmental impacts.¹

20 The provincial electrical grid is in the midst of unprecedented change and, to the extent
21 possible, Hydro has incorporated known requirements within its Five-Year Capital Plan (2024–
22 2028) reflecting system growth expenditures related to capital upgrades required to
23 accommodate growth in Labrador West, service enhancement expenditures including the
24 interconnection of the communities of southern Labrador, and asset renewal projects for the
25 Holyrood Thermal Generating Station, as a result of its continued operation as a generating
26 facility until sufficient additional generation is brought online.

¹ “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. September 21, 2023 (originally filed July 12, 2023), sch. 2, p. 1/11–15.

1 Hydro recognizes that the five-year plan included in the 2024 Capital Budget Application does
2 not include capital expenditures that may result from the ongoing *Reliability and Resource*
3 *Adequacy Study Review* proceeding, including the need for additional generating capacity to
4 provide reliable backup in the event of an extended outage to the Labrador-Island Link, as well
5 as to accommodate load growth associated with changing market conditions and increased
6 electrification driven by net-zero targets established by the Government of Canada. The
7 Resource Adequacy Plan, to be filed in the spring of 2024, will define the capacity requirements
8 to reliably meet customer load and will include a recommendation for new supply in the form of
9 an expansion plan. The recommendations from that Resource Adequacy Plan will be the basis
10 for the development of capital budget applications for the construction of new sources of
11 supply.

12 In the coming years and decades, Hydro will have to make significant investments to continue to
13 meet its legislative obligation of safely and reliably providing electrical service in an
14 environmentally responsible manner to Newfoundlanders and Labradorians.² Hydro will make
15 investment decisions in alignment with the capital investment strategy and include cost
16 considerations to minimize impacts to ratepayers while delivering safe and reliable service in an
17 environmentally responsible manner.

² *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1, s 3(b)(iii).