

1 Q. **Reference: Schedule 1 2024 Capital Budget Overview, Page 2, lines 7-11**

2 In Order No. P.U. 2(2023) Reasons for Decision the Board stated on page 18;

3 While the Board accepts that most of the supplemental capital budget
4 applications Hydro has filed in the last five years were customer driven or were
5 based on unforeseen events, there were applications which did not fall into
6 these categories. The Board acknowledges that the uncertainties as to the
7 operation of the Labrador Island Link and the future operations of the Holyrood
8 Thermal Generating station create challenges for capital planning. Nevertheless,
9 transparent capital planning requires Hydro to address these uncertainties and
10 their potential impact on its capital spending. The Board believes Hydro can
11 make further improvements in its capital planning process to increase
12 transparency and perhaps reduce the number of supplemental capital
13 applications. While the Board will not order Hydro to undertake a review its (sic)
14 capital planning process, the Board expects that Hydro will conduct its own
15 review and ensure that transparency is enhanced in its next annual capital
16 budget application and that measures are taken to reduce the number of
17 supplemental capital budget applications.

18 Please explain what action Hydro has taken since this Order was issued to review its capital
19 planning process and what measures Hydro has introduced or plans to introduce to enhance
20 transparency and to reduce the number of supplemental capital budget applications.

21

22

23 A. Newfoundland and Labrador Hydro's ("Hydro") efforts to reduce its number of supplemental
24 capital budget applications have included:

25 • The introduction of in-service failure programs covering all major asset categories. In-service
26 failure programs enable Hydro to address routine asset failures, including incipient failures
27 and the replenishment of capital spares, without the requirement for a supplemental capital
28 budget application.

29 • Extension of generation at the Holyrood Thermal Generating Station ("Holyrood TGS") until
30 2030, which provides Hydro the foresight required to include necessary capital expenditures
31 in its capital budget applications.

1 Hydro has always aimed to be fully transparent with regards to its planned supplemental capital
2 expenditures, and has historically included such expenditures in its five-year capital plans
3 submitted with its capital budget applications. Hydro notes that its efforts to reduce the number
4 of supplemental applications began prior to its receipt of Board Order No. P.U. 2(2023).¹

5 With the extension of generation at the Holyrood TGS, Hydro anticipates a significant reduction
6 in “planned” supplemental expenditures; in exceptional cases, such as applications for new
7 generation that do not align with the regular capital budget cycle, Hydro may be required to file
8 supplemental capital budget applications. Hydro aims to avoid asset failures through the
9 execution of its asset management programs, to identify deteriorating assets for inclusion in its
10 capital budget applications. Occasionally, assets may fail prematurely or as a result of system
11 conditions or weather conditions which Hydro could not predict. In most cases, such failures are
12 now addressed through Hydro’s in-service failure programs; however, in the event that such a
13 failure does not meet the definition of an in-service failure, or in the event Hydro believes such
14 an expenditure warrants additional regulatory process, Hydro may consider supplemental
15 capital budget applications, as intended to maintain the safe and reliable operation of the
16 electrical system.

¹ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 2(2023), Board of Commissioners of Public Utilities, January 26, 2023.