

1 Q. **Reference: PUB-NLH-004**

2 Further to the response to PUB-NLH-004, it is not clear that Hydro has taken action since the
3 issuance of Board Order No. P.U.2(2023) to review its capital planning process with respect to
4 transparency and measures to reduce the number of supplemental capital budget applications.
5 Please explain the specific actions Hydro has taken since the Order was issued to undertake the
6 review as referenced in the Order.

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9 A. The Board of Commissioners of Public Utilities (“Board”), in Board Order No. P.U. 2(2023), noted
10 that while it would not order Hydro to undertake a review of its capital planning processes, it did
11 expect Hydro to conduct its own review and ensure that transparency is enhanced in its next
12 annual capital budget application and that measures would be taken to reduce the number of
13 supplemental capital budget applications. Newfoundland Power had expressed concerns during
14 the 2023 Capital Budget Application (“CBA”) process surrounding Hydro’s capital planning
15 process and in particular the transparency of Hydro’s capital planning and the number of
16 supplemental capital applications Hydro had filed; this appears to have stemmed from Hydro’s
17 response to a Request for Information from Newfoundland Power,¹ which showed that Hydro
18 had filed 48 supplemental capital applications over the previous 5 years. In particular,
19 Newfoundland Power noted that multiple supplementary applications “. . . limit an intervenor’s
20 ability to assess the possible impacts of one proposal on others. . .” and “. . . contribute to
21 regulatory inefficiency by necessitating a large number of separate review processes.”

22 In Hydro’s response to Newfoundland Power’s concerns, Hydro indicated that only 11 of those
23 48 supplemental capital applications had been for projects that were not customer driven or
24 based on unforeseen events. Hydro further noted that 8 of the projects were related to the
25 Holyrood Thermal Generating Station (“Holyrood TGS”). Until Hydro’s proposal in the 2022
26 Reliability and Resource Adequacy Update to extend the operation of the Holyrood TGS for a

¹<<http://pub.nl.ca/applications/NLH2023Capital/responses/NP-NLH-026.PDF>>.

1 longer period, the inclusion of proposed projects for the Holyrood TGS in capital budget
2 planning was on a year-to-year basis.

3 Hydro's consideration of the historical (5 year) supplemental applications noted the contribution
4 to those supplemental applications by projects related to the Holyrood TGS and unexpected
5 failures. In addition to the creation of a five year capital plan for Holyrood TGS,² Hydro has
6 proposed in-service failure programs for its remaining major asset categories,³ which Hydro
7 believes will address the number of supplemental capital applications for unforeseen failures,
8 improving regulatory efficiency, and allow for transparency into the process.

9 Hydro believes it has been transparent in its capital planning practices, including its
10 supplemental applications. In situations where the need for a supplemental application is known
11 at the time of CBA filing, but the expenditure in question was excluded from the CBA (e.g.
12 Hydro's application for refurbishment of the Bay d'Espoir penstocks), Hydro has identified such
13 supplemental applications in its five year capital plan filed with the CBA, and has noted both the
14 total capital spend for which it is seeking approval in the CBA and the total capital spend
15 inclusive of known applications that will be supplemental to the CBA. Hydro is continually
16 reviewing its capital planning and approval process, with consideration of concerns expressed by
17 intervenors and directions provided by the Board. Hydro utilizes lessons learned on each
18 successive filing to improve its processes to ensure transparency and regulatory efficiency.
19 Hydro is committed to limiting the number of supplemental applications it makes to the Board
20 to the extent possible; however, there will continue to be instances where Hydro must file a
21 supplemental capital application for reasons outside of its control, including but not limited to:
22 expenditures related to instances of unforeseen events affecting the electrical system; customer
23 requests; and, projects that arise from unique unforeseen opportunities, or the time sensitive
24 availability of government funding.

25 Hydro's five-year plans are revised considering evolving asset management practices, asset
26 condition information, operational and system requirements, as well as operating environment

² Capital expenditures for the Holyrood Thermal Generating Station have accounted for 10 supplemental capital expenditure applications since 2017. Including capital expenditures related to the Holyrood TGS addresses one of the specific concerns expressed by Newfoundland Power in the 2023 CBA.

³ In the 2024 CBA, Hydro has proposed new ISF programs for Telecommunications. In the 2023 CBA, Hydro obtained approval for Gas Turbine, Diesel and Transmission In-Service Failure Programs.

1 factors. Hydro endeavors to incorporate all reasonably known capital expenditures within its
2 five year plan and/or its annual capital budget application cycle.

3 Hydro had undertaken the necessary review and actions to manage and limit its supplemental
4 expenditures prior to the issuance of Board Order P.U. 2(2023). The most recent proposal for
5 Telecommunications In-Service Failures project was made in the present 2024 CBA. Hydro
6 anticipates that with programs in place to address unforeseen in-service failures, and with a
7 longer planning horizon for the Holyrood TGS, the remaining supplemental are those for which
8 Hydro cannot foresee or plan for in advance. However, as noted above, Hydro continues to
9 review its capital planning processes with intent to manage and limit its supplemental capital
10 applications to further improve transparency and increase regulatory efficiency.