

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 2025 CBA? If so, please provide all
12 references.

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15 A. In its 2025 Capital Budget Application, Newfoundland and Labrador Hydro (“Hydro”) has
16 continued to strive to comply with the evidentiary requirements set out in the provisional
17 Capital Budget Guidelines (“Guidelines”)¹ and to meet the spirit and intent of the Guidelines
18 where full adherence is not yet possible. In doing so, Hydro’s project/program prioritization,
19 provided in Hydro’s Capital Budget Overview,² provides the risk mitigated per \$1 million spent,
20 which answers the question “At what unit cost is the risk profile improved by the project?” and
21 “How cost-effective are the proposed improvements in system reliability and risk reduction
22 compared to other budget items being proposed and other alternatives that are available?”
23 While Hydro does not have sufficient data, or metrics, to determine the reliability improvement
24 per unit cost, reliability is a key component of Hydro’s risk scoring and is therefore intrinsically
25 considered in Hydro’s risk ranking.

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

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

² “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. September 21, 2023 (originally filed July 12, 2023), sch. 1, sec. 7.0, pp. 35–36.

1 Hydro did complete a digital public engagement survey in January 2024 with questions relating
2 to reliability, cost, investment, growth, clean energy, and options for new sources of electricity,
3 which provides some insight into how customers prioritize cost and system reliability. For details
4 on Hydro's customer engagement, please refer to Hydro's response to CA-NLH-023 of this
5 proceeding.