

1 **Q. Reference: Schedule 1, 2027 Capital Budget Overview, Section 7.1 and Conclusion**

2 Hydro states that its prioritization process involves an initial review of project scope and need
3 followed by prioritization using a matrix model. Hydro calculates both risk mitigated and risk
4 mitigated per \$1 million, although Hydro states that it cannot provide prioritization based on
5 reliability improvement per dollar spent. Hydro further states that it deferred or cancelled 26
6 projects representing more than \$29.2 million of 2027 capital investment, while concluding that
7 all expenditures remaining in the CBA are prudent and necessary.

8 **a)** Please explain how Hydro determined the marginal point at which a project was included
9 in the 2027 CBA rather than deferred to a later year.

10 **b)** Please provide a table with the 10 lowest priority programs/projects included in the 2027
11 CBA along with the 10 highest-priority programs/projects deferred or cancelled in
12 developing the 2027 CBA. For each, please provide: i) the 2027 expenditure; ii) the pre-
13 implementation risk score; iii) the post-implementation risk score; iv) the risk mitigated
14 per \$1 million; and v) the consequence of deferral by one year.

15 **c)** Please explain how Hydro distinguishes between: i) an expenditure that is prudent or
16 beneficial if undertaken; and ii) an expenditure that must be undertaken in 2027 to
17 achieve least-cost service for customers.

18 **d)** Please identify the projects comprising approximately the final \$10 million of expenditures
19 included in the 2027 CBA based upon Hydro's prioritization process.

20 **e)** For the projects identified in part d above, please explain the incremental benefit to
21 customers from undertaking the work in 2027 rather than 2028.

22 **f)** If Hydro cannot identify a meaningful marginal group of projects between inclusion and
23 deferral, please explain how its prioritization process constrains the overall capital budget.

24 **g)** Please explain whether Hydro established an overall capital expenditure envelope,
25 affordability constraint or other portfolio-level constraint before determining which
26 projects/programs would be included in the 2027 CBA. If not, please explain how Hydro's
27 prioritization process prevents all projects that individually provide positive risk reduction
28 or other benefits from ultimately being characterized as priorities.

1 A. a) Newfoundland and Labrador Hydro's ("Hydro") capital investment philosophy is founded
2 on its obligation to invest responsibly in the electrical system to the benefit of its
3 customers. Hydro is committed to investing in capital in a manner that meets its legislated
4 mandate to provide service and facilities that are reasonably safe and adequate, and just
5 and reasonable, and to deliver power to consumers at the lowest possible cost, in an
6 environmentally responsible manner, consistent with reliable service. Hydro optimizes
7 expenditures by only targeting work deemed critical to safety and reliability, and ensuring
8 such work cannot be deferred into future years. As such, Hydro would only propose the
9 minimum amount of work required from a technical perspective, which will lead to
10 responsible capital investment; capital work is not cancelled or deferred solely based on its
11 risk-mitigated score.

12 b) Please refer to Table 1 for a listing of the lowest risk ranked proposals in the 2027 Capital
13 Budget Application ("CBA") accompanied by the requested information. It is noted that
14 Hydro does not use risk alone in its prioritization of projects, and as such, the ranking
15 below is based on Risk only. The consequences of deferral by one year can be found in the
16 associated proposals.

Table 1: Lowest Risk Ranked in 2027 CBA

CBA Project Description	Pre-Implementation Risk Ranking	Post-Implementation Risk Ranking	2027 Budget (\$000)	Risk Mitigated	Risk Mitigated Per Million
Upgrade Terminal Station for Mobile Substation (2027–2028) - Glenburnie	4	2	78.2	2	4.9
Modify Office Buildings and Procure Furniture, Fixtures and Equipment (2027)	8	2	992.4	6	6.0
Purchase Mobile Devices (2027)	8	2	327.0	6	18.3
Replace Circuit Breaker Reclosing Controllers (2027–2028) - Come by Chance	8	4	69.1	4	22.7
Install Fire Protection in 230 kV Stations (2027–2028) - Bottom Brook	8	4	73.8	4	6.1
Clarity Replacement (2027)	9	3	474.6	6	12.6
Migrate Legacy Applications (2027)	9	3	988.2	6	6.1
Purchase Personal Computers (2027)	9	3	1649.6	6	3.6
Replace Protective Relays (2027–2028)	9	3	700.1	6	2.0
Replace Peripheral Infrastructure (2027)	9	3	461.8	6	13.0

1 Please refer to Table 2 for those projects and programs deferred or cancelled through
2 development of the 2027 CBA. It is noted that risk is not the only factor in prioritization; as
3 such, all proposals with a ranking of 15 or higher have been provided. The 2027 costs and
4 risk mitigated per million have not been provided, as this is based on development of the
5 scope, which was not done in these instances. Many deferrals and cancellations of projects
6 in the 2027 CBA were primarily driven based on operational requirements. As an example,
7 seven of the ten projects provided relate to Holyrood Thermal Generating Station Assets.
8 While these projects are ranked relatively high based on risk, Hydro considers the
9 remaining life of the asset in its capital investment decision-making process

Table 2: Risk Ranking of Deferred/Cancelled Projects/Programs

CBA Project Description	Deferred or Cancelled	2027 Cost (\$000)	Pre-Implementation Risk Ranking	Post-Implementation Risk Ranking	Risk Mitigated
Overhaul Unit 6 (2027) - Bay d'Espoir	Deferred	3,397.9	20	5	15
Replace Powerhouse Roofs (2027–2028) - Hinds Lake	Deferred	84.3	16	4	12
Rollout Document Control System (2027)	Cancelled	200.0	16	6	10
Install Secondary Station Service Supply (2027-2029) - Holyrood	Deferred	150.0	15	3	12
Install Plant Heating System (2027–2029) - Holyrood	Deferred	4,887.3	15	5	10
Overhaul Unit 2 and Unit 3 Boiler Stop Valves (2027) - Holyrood	Cancelled	800.0	15	5	10
Refurbish Stage II Cooling Water Sumps (2027) - Holyrood	Cancelled	3,507.9	15	5	10
Upgrade Online Monitoring - Unit 3 (2027) - Holyrood	Deferred	500.0	15	5	10
Refurbish Stage I Cooling Water Sumps (2027) – Holyrood	Deferred	4,719.0	15	5	10
Perform Level 2 Condition Assessment - Light Oil System (2027) - Holyrood	Cancelled	400.0	15	5	10

10 c) Hydro does not distinguish between projects that are prudent and beneficial and those
11 that are required to provide least-cost service. Hydro considers many inputs in determining
12 its capital portfolio for each year, including risk, execution efficiency, and system and
13 operational requirements.

d) Please refer to Table 3. It is noted that Hydro does not use risk alone in its prioritization of projects. As noted in part b) of this response, Hydro does not prioritize based solely on risk and therefore has provided a listing of all pre-risk ranking projects up to ranking 12.

CBA Project Description	Pre-Risk Ranking	Post-Risk Ranking	2027 Cost (\$000)
Upgrade Terminal Station for Mobile Substation (2027–2028) - Glenburnie	4	2	78.2
Modify Office Buildings and Procure Furniture, Fixtures and Equipment (2027)	8	2	992.4
Purchase Mobile Devices (2027)	8	2	327
Replace Circuit Breaker Reclosing Controllers (2027–2028) - Come by Chance	8	4	69.1
Install Fire Protection in 230 kV Stations (2027–2028) - Bottom Brook	8	4	73.8
Clarity Replacement (2027)	9	3	474.6
Migrate Legacy Applications (2027)	9	3	988.2
Purchase Personal Computers (2027)	9	3	1,649.60
Replace Protective Relays (2027-2028)	9	3	700.1
Replace Peripheral Infrastructure (2027)	9	3	461.8
Upgrade Blackstart Diesel Instrumentation (2027–2028) - Holyrood	10	5	234.2
Procurement of LiDAR for Digitization of Transmission Lines (2027)	10	4	500
Perform Dam Infrastructure Refurbishments (2027)	10	5	526.3
Install Electric Vehicle Chargers (2027–2028) - Hydro Sites	12	3	274.5
Replace Light-Duty Mobile Equipment (2027)	12	3	1,542.0
Replace Light-Duty Vehicles (2027–2028)	12	3	3,125.9
Replace Annunciator Panel (2027–2028) Upper Salmon	12	4	141.3
Purchase Tools and Equipment (2027)	12	4	2,176.0
Replace Disconnects (2027–2029)	12	4	140.1
Refurbish Draft Tube Deck - Phase 3 (2027–2029) - Bay d'Espoir	12	4	159.6
Replace Heavy-Duty Vehicles (2027-2029)	12	3	835.4
Replace Terminal Station Battery Banks and Chargers (2027-2028)	12	4	26.1
Perform Level 2 Condition Assessment - Steel Section (2027) - Paradise River	12	8	174.0
SWOP Replacement (2027–2028)	12	8	1,053.9
Renew Distribution Feeders (2027–2028)	12	6	242.9
Install Breaker Failure Protection (2027–2028)	12	4	993.1
Replace Heavy-Duty Mobile Equipment (2027–2028)	12	3	1,996.2
Upgrade Power Transformers (2027–2028)	12	4	518.1

e) Please refer to Hydro's response to part a) of this response.

- 1 **f)** Please refer to Hydro's response to part a) of this response.
- 2 **g)** Please refer to Hydro's response to part a) of this response.