

Requests for Information

1 NP-CA-002 **Reference: *Comments on Newfoundland Power’s 2022 Capital Budget***
2 ***Application, Elenchus Research Associates Inc., August 13, 2021, page***
3 ***13, line 1-6.***

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5 ***“The alternatives considered will normally include (i) design alternatives,***
6 ***(ii) technological alternatives, (iii) the deferral alternative, and (iv) the do***
7 ***nothing alternative. It will normally be expected that all alternatives that***
8 ***do not have unacceptable implications in terms of maintaining an***
9 ***adequate, reliable and safe supply of power be considered in a cost-benefit***
10 ***analysis that compares the feasible alternatives.”***

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12 **QUESTION:** **Would Elenchus agree that in addition to screening out all alternatives**
13 **that have unacceptable implications in terms of maintaining an**
14 **adequate, reliable and safe supply of power, that alternatives with**
15 **excessive cost should also be screened out? If not, why not?**

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17 **RESPONSE:** For clarity, Elenchus interprets the phrase “screened out” as implying that
18 a “screened out” project is not subjected to the quantitative comparison of
19 alternatives in accordance with standard economic analysis methodologies.
20 Hence, by definition, alternatives that are “screened out” would not merit
21 being identified as being within the “reasonable range of alternative
22 solutions”.

23
24 For an alternative to be screened out on the basis that its cost is excessive
25 prior to undertaking the economic analysis of the project that takes into
26 account both capital and operating costs as well as the project’s option value
27 and flexibility would only be feasible in the case of extreme cost
28 differences. Hence, in general it would only be practical to reject an
29 alternative on the basis of cost after cost has been identified (the second
30 prudence review standard requires full information) and the economic
31 analysis of alternatives has been completed. In that event, the alternative
32 would not have been “screened” out but would have been rejected after
33 assessing the various financial costs and benefits associated with the
34 competing alternatives.

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36 If “screened out” is intended to mean only that it is not recommended, after
37 completing the economic analysis, then cost would, of course, be the
38 determining factor in recommending a particular alternative within the
39 range identified.

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41 In Elenchus’ view, presenting only one alternative would appear to be
42 inconsistent with the prudence review standard that requires “reasonable
43 range of alternative solutions” without some explanation of why no other
44 possible solution was considered to be within the “reasonable range”.