

1 **Reference: Capital Plan**

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3 **Q. On page 4, Newfoundland Power provides an explanation of how deferral of**
4 **projects is considered in its planning process. Has this process changed or been**
5 **modified given the current pressures on customer rates?**
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7 A. No, Newfoundland Power has not changed or modified how it considers the deferral of
8 capital projects in its planning process given the current pressures on customer rates.
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10 The Company is required to manage its capital investments during *all* economic
11 conditions in a manner that results in the delivery of reliable service to customers at the
12 lowest possible cost.
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14 Balancing the cost and reliability of the service provided to customers is consistent with
15 the provincial power policy¹ and customers' service expectations.² Newfoundland Power
16 balances the cost and reliability of its service delivery through a comprehensive capital
17 planning process. This process determines the necessity, scope and timing of capital
18 projects based on sound engineering, objective data and good utility practice.³
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20 Certain capital management practices reduce *overall* costs to customers. As examples,
21 the *LED Street Lighting Replacement Plan* will provide customers with lower rates for a
22 more reliable service.⁴ The construction of an electric vehicle charging network will
23 enable the delivery of customer electrification programs that will provide a rate
24 mitigating benefit to customers over the longer term.⁵
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26 Other capital management practices reduce *capital* costs to customers. The 2007 *Capital*
27 *Budget Application Guidelines* require an assessment of alternatives, including deferral,
28 for all normal capital and justifiable expenditures.⁶ Assessing the deferral of capital
29 expenditures is therefore an essential element of Newfoundland Power's capital planning
30 process.

¹ Section 3(b)(iii) of the *Electrical Power Control Act, 1994* requires that customers receive reliable service at the lowest possible cost.

² Quarterly surveys indicate the 2 most important issues to customers are reliability and price. For more information on customers' service expectations, see response to Request for Information CA-NP-013.

³ For additional details on the Company's capital planning process, see the *2022 Capital Budget Application, 2022 Capital Plan, Section 2.1*.

⁴ See Newfoundland Power's *2022 Capital Budget Application, Schedule B*, page 34.

⁵ An net present value analysis determined that electrification programs will provide a rate mitigating benefit for Newfoundland Power's customers of approximately 0.5¢/kWh by 2034. This equates to \$100 in reduced electricity charges that year for an average residential customer with electric heating. See Newfoundland Power's *2021 Electrification, Conservation and Demand Management Application*.

⁶ See the *Capital Budget Application Guidelines*, page 6.

1 The Company's practice is to defer capital projects when they are not proven to be
2 required to provide safe, reliable and least cost service to customers during the ensuing
3 year.⁷ For example, transmission line 124L was originally planned for rebuild in 2011,
4 but was deferred to 2022 through routine maintenance. The Company's *2022 Capital*
5 *Plan* outlines 2 additional projects that were originally planned for 2022 and
6 subsequently deferred.⁸ Numerous other capital projects have also been deferred beyond
7 the current planning period.⁹

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9 Overall, Newfoundland Power's capital planning is consistent with its objective of
10 maintaining safe and reliable service for its customers at the lowest possible cost.

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12 For additional information on Newfoundland Power's capital management practices, see
13 response to Request for Information NLH-NP-042.

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15 For additional information on how the Company prioritizes or defers capital
16 expenditures, see response to Request for Information CA-NP-008.

⁷ Newfoundland Power's capital plan is updated annually based on new data and information. This includes: (i) updated customer, energy and demand forecasts; (ii) updated condition assessments of equipment; and (iii) updated assessments of potential customer benefits. This process may result in the development or deferral of capital projects.

⁸ These projects are: (i) the refurbishment of the Mobile hydro plant, which was deferred to allow further assessment of the condition of the plant and associated infrastructure; and (ii) the feeder load growth in the City of Corner Brook, which was deferred after a review of the load requirements and revised construction schedule for the new hospital determined that the existing distribution system in the Corner Brook area has available capacity to supply the increased load requirements until 2023. See the *2022 Capital Budget Application, 2022 Capital Plan*, page 7, Table 2.

⁹ See response to Request for Information CA-NP-075.