

1 **Q. (Reference Application, 2024 Capital Budget Overview, page 8) It is stated**
 2 **"Newfoundland Power's annual capital expenditures reflect the capital**
 3 **additions, replacements and refurbishments necessary each year to provide**
 4 **safe and reliable service to customers at the lowest possible cost."**

5 **a) Please explain how the 2024 CBA reflects the value customers place on**
 6 **service improvements and environmental responsibility.**

7 **b) How does NP define "lowest possible cost" when NP does not know the**
 8 **value customers place on service improvements?**

9 **c) Does Newfoundland Power plan to carry out its capital program in an**
 10 **environmentally responsible manner? Please explain.**

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 12 **A. a) See the response to Request for Information CA-NP-016 for information on how the**
 13 **2024 Capital Budget Application reflects customer values.**

14
 15 b) The provincial power policy requires that Newfoundland Power deliver service to
 16 customers at the lowest possible cost, in an environmentally responsible manner,
 17 consistent with reliable service.¹ Of these three considerations, no single one takes
 18 precedence over the others and all of them must be considered together in the
 19 provision of electrical service. As a public utility, the Company is also obligated by
 20 law to provide just and reasonable service using facilities that are safe and
 21 adequate.

22
 23 The Company balances the cost and reliability of its service delivery through a
 24 comprehensive capital planning process and a focus on the overall costs borne by
 25 customers through customer rates.² The projects and programs included in the
 26 *2024 Capital Budget Application* resulting from that process represent the capital
 27 additions and improvements necessary to satisfy all of the Company's statutory
 28 obligations, including compliance with the provincial power policy.

29
 30 The Board has recognized that fully justified capital expenditures are necessary for
 31 the delivery of least-cost service to customers. In Order No. P.U. 7 (2002-2003), the
 32 Board stated:

33
 34 *"From a regulatory perspective, efficient operations, fully justified capital*
 35 *expenditures and a low cost capital structure all combine to minimize revenue*
 36 *requirement, and hence provide least cost electricity to ratepayers."*

37
 38 Further, the Company is focused on maintaining current levels of overall service
 39 reliability for its customers. For example, the frequency and duration of customer
 40 outages in the Newfoundland Power's service territory have remained reasonably
 41 stable under normal operating conditions over the last decade.³

1 See section 3(b)(iii) of the *Electrical Power Control Act, 1994*.

2 For a fulsome discussion on how Newfoundland Power balances cost and service reliability, see Newfoundland Power's *2024 Capital Budget Application, 2024 Capital Budget Overview, Section 2.3 Balancing Cost and Service*.

3 See Newfoundland Power's *2024 Capital Budget Application, Capital Budget Overview*, page 6.

- 1 c) Newfoundland Power plans to carry out its capital program in an environmentally
- 2 responsible manner. For more information see the response to Request for
- 3 Information CA-NP-014.