

1 **Q. Reference: 2024 Capital Budget Application – Intervenor Evidence, Utility**  
2 **Management Responsibility Report, Midgard Consulting Incorporated.**  
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4 **In the Consumer Advocate’s view, is any or all of the information provided in the**  
5 **Utility Management Responsibility Report applicable or relevant to the Board’s**  
6 **overall capital budget approval process which is used to interrogate the annual**  
7 **capital budgets of both public utilities in Newfoundland and Labrador? If not, why**  
8 **not?**  
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10 **A.** It is the Consumer Advocate’s view that the Utility Management Responsibility  
11 Report is directly relevant to the Board’s capital budget approval process. The  
12 Consumer Advocate has repeatedly expressed concern over the rising cost of NP’s  
13 capital budgets and the absence of a due diligence process that includes oral hearings.  
14 NP’s capital investment per customer was about 12.7% higher than the Atlantic Canadian  
15 Utilities in 2021 and it appears that NP’s customers have been paying a premium relative  
16 to the Atlantic Canadian utilities every year since 2004, and perhaps earlier (CA-NP-059  
17 and PUB-NP-058). There has not been an oral hearing on an NP capital budget since 2004  
18 (CA-NP-008). Clearly, customers need relief from ever-increasing levels of spending,  
19 and an audit process that guarantees customers are receiving value commensurate with  
20 cost.  
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22 The current Provisional Capital Budget Application Guidelines have been in place since  
23 December 20, 2021, spanning two capital budget application cycles, yet both of the  
24 province’s electric utilities indicate that they are unable to meet the requirements set out  
25 in the Guidelines (see PUB-NP-001 pertaining to NP’s 2024 CBA and PUB-NLH-005  
26 pertaining to Hydro’s 2024 CBA). The Consumer Advocate believes the Utility  
27 Management Responsibility Report will assist the Board with respect to: 1) current capital  
28 budget applications relating to 2024 capital expenditures, and 2) finalizing the Guidelines  
29 that will govern future capital budget applications.  
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31 The Consumer Advocate notes that in the cover letter to the Provisional Capital Budget  
32 Application Guidelines, the Board states “*Considering the very divergent views of the*  
33 *participants the Board has decided that the best approach in the circumstances is to*  
34 *implement the revised guidelines on a provisional basis for 2022. This will allow the*  
35 *parties and the Board an opportunity to ascertain how the provisional guidelines operate*  
36 *and to identify any issues which may need to be addressed before the guidelines are*  
37 *finalized.*” The Utility Management Responsibility Report provides valuable information  
38 to support this effort and “converge” the views of the participants.  
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40 Both utilities are undertaking reviews of their asset management strategies (see PUB-  
41 NLH-005 pertaining to Hydro’s 2024 CBA). In CA-NP-012 (pertaining to NP’s 2024

1 CBA) it is stated “*Newfoundland Power is currently undertaking a review of its asset*  
2 *management practices to ensure its practices continue to be adequate, given the age of*  
3 *its electrical system, and remain consistent with industry best practices.*” However, in the  
4 same response, NP states “*There have been no substantial changes to Newfoundland*  
5 *Power’s approach to asset management since June 2022.*” The Consumer Advocate  
6 believes there is an urgent need to finalize the Capital Budget Application Guidelines  
7 because: 1) it is not clear that NP will change its asset management practices until required  
8 to do so, and 2) it will better inform the asset management strategy reviews that are  
9 currently underway and help to avoid further delays to the implementation of asset  
10 management practices that will benefit consumers.