

1 **Reference: 2024 Capital Budget Overview**

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3 **Q. Page 2. It is stated that the Application is organized to comply with the spirit**  
4 **and intent of the Capital Budget Application Guidelines (Provisional**  
5 **Guidelines). Please explain where the Application does not comply with the**  
6 **Provisional Guidelines, explain why not and the information provided instead**  
7 **to meet the spirit and intent of the Provisional Guidelines.**

8  
9 A. The filing requirements established in the Provisional Guidelines are set out in *Part I.*  
10 *General Context, Part II. Organization, Part III. Required Information* and *Part IV.*  
11 *Prioritization* as provided in Appendix A of the guidelines.

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13 **A. Part I. General Context and Part II. Organization**

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15 Section V.A.1.b of the Provisional Guidelines under Filing Requirements, provides in part:

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17 *Where a utility is not able to provide the required information it shall*  
18 *provide an explanation as to why the information cannot be provided as*  
19 *well as the basis upon which the proposals should be approved in the*  
20 *absence of this information.*

21  
22 Attachment A to this Request for Information provides a summary of Newfoundland  
23 Power's *2024 Capital Budget Application's* (the "Application") compliance with the  
24 Provisional Guidelines' filing requirements, which are outlined in detail in Appendix A of  
25 the Provisional Guidelines.

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27 **B. Part III. Required Information and Part IV. Prioritization**

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29 In the filing requirements of the Provisional Guidelines, there are three primary areas in  
30 *Appendix A Part III. Required Information* where required information is not available:  
31 *Trending, Asset Condition* and *Risk*. For each of these areas, Newfoundland Power has  
32 provided other information in efforts to meet the spirit and intent of the requirements.

33  
34 The Company is unable to provide risk calculations and as such cannot provide a  
35 prioritized list of its projects and programs based on those calculations as required by  
36 *Appendix A Part IV. Prioritization* of the Provisional Guidelines.

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38 For fulsome information on Newfoundland Power's compliance with *Appendix A Part III.*  
39 *Required Information*, see the Application, Schedule B, pages i to iv.

40  
41 *Trending and Asset Condition*

42 Newfoundland Power's core asset management technology has been in service for  
43 approximately two decades. The technology does not have the capability of capturing  
44 all of the granular data that would be required for strict adherence to all of the filing  
45 requirements outlined in Appendix A of the Provisional Guidelines.

1 The Provisional Guidelines require trending data for programs, including the number of  
2 assets installed or replaced each year, and the average unit cost per installation or  
3 replacement. The Provisional Guidelines also require quantitative data regarding asset  
4 condition.

5  
6 This data is provided in limited cases where it exists. The inconsistent availability of  
7 data reflects the fact that many programs involve corrective and preventative  
8 maintenance of a wide range of assets, and unit-based information has not historically  
9 been tracked.<sup>1</sup> Options for collecting more granular trending data and asset condition  
10 data on a go-forward basis are being evaluated as part of the Company's ongoing asset  
11 management review.

12  
13 In Newfoundland Power's view, trends for individual programs can be reasonably  
14 observed in total program costs over time. The *Program Trend* sections therefore  
15 provide graphs of five-year historical, current budget year, and five-year forecast  
16 expenditures for each program.<sup>2</sup>

17  
18 Where quantitative information is not available regarding asset condition, qualitative  
19 assessments based on engineering judgment have been provided. For projects over  
20 \$5 million, more detailed information is provided in reports prepared by Professional  
21 Engineers or other qualified experts.

#### 22 *Risk and Part IV. Prioritization*

23 The Provisional Guidelines require that projects and programs classified as Renewal,  
24 Service Enhancement or General Plant be evaluated for risk mitigation, and that risk  
25 mitigation be calculated in conformance with an internationally recognized standard.  
26 The Provisional Guidelines also require projects and programs be provided in the form of  
27 a prioritized list with prioritization based on calculations of risk mitigation or reliability  
28 improvement.

29  
30 Limitations associated with Newfoundland Power's legacy asset management technology  
31 also factor into the Company's inability to strictly adhere to the filing requirements  
32 relating to calculations of risk mitigation and reliability improvement. Options to derive  
33 such values will be assessed during the Company's asset management review.<sup>3</sup>

34  
35 To comply with the spirit and intent of the Provisional Guidelines, Newfoundland Power  
36 developed a methodology to provide consistency in its communication of risk  
37 assessments across projects and programs.<sup>4</sup> The risk matrix methodology is designed to  
38 assess the risks of not proceeding with capital expenditures identified in the Renewal,  
39 Service Enhancement and General Plant investment classifications. This, in turn, allows  
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<sup>1</sup> For example, with the *Rebuild Distribution Lines* program, crews do not record labour and materials on a per component basis. Therefore, the unit cost to replace an insulator, cut-out, crossarm or pole is not tracked.

<sup>2</sup> A Program Trends section is included in each program description in Newfoundland Power's *2024 Capital Budget Application, Schedule B*.

<sup>3</sup> Producing quantifiable risk and reliability values to prioritize capital expenditures would require the use of more advanced software.

<sup>4</sup> Newfoundland Power's risk matrix methodology is similar to that used by other Canadian utilities. For a similar risk matrix methodology see Nova Scotia Power's *2023 ACE Plan*, Appendix F, page 25 through 28.

1 capital expenditures to be presented in the form of a prioritized list with the level of  
2 priority based on the degree of risk mitigation provided.<sup>5</sup>  
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4 A detailed description of the risk matrix methodology is provided in Appendix C to the  
5 *2024 Capital Budget Overview* filed with the Application.  
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### 7 **C. Overall Information Assessment** 8

9 For areas where data and software limitations do not allow for strict adherence to the  
10 filing requirements of the Provisional Guidelines, Newfoundland Power has provided  
11 other information to meet the spirit and intent of the requirements.<sup>6</sup> The Company has  
12 also provided explanations in the Application as to why the information cannot be  
13 provided.<sup>7</sup> As such, in the Company's view, it has complied with part V.A.1.b and the  
14 Provisional Guidelines as a whole. As part of its asset management review, the  
15 Company will assess what changes to its practices and procedures would be required, as  
16 well as any additional software, to enable the Company to strictly adhere to the filing  
17 requirements as currently set out in Appendix A of the Provisional Guidelines.  
18

19 Overall, Newfoundland Power submits that the Application includes comprehensive  
20 information that clearly describes the Application's proposals, and demonstrates that all  
21 proposed capital expenditures are necessary to provide customers with access to safe  
22 and reliable service at the lowest possible cost in an environmentally responsible  
23 manner.

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<sup>5</sup> For additional information on risk and priority assessments, see the response to Request for Information CA-NP-045.

<sup>6</sup> Consistent with section V.A.1.b of the Provisional Guidelines, the *Board of Commissioners of Public Utilities Regulations, 1996* also allow for the provision of alternative information in the context of Requests for Information where requested information is not available. Section 15(2)(b) states "*where the party contends that that the information necessary to provide a response is not available, [the party shall] provide a response that sets out the reasons for the unavailability of the information and provide that alternative available information as the party considers would be of assistance to the party requesting the information.*"

<sup>7</sup> For example, the requirement to provide asset age for in-service items such as insulators used in high volume programs is not possible to provide. These high-volume items are included in stores inventory and released to crews as required. The age of each item released from inventory was not necessarily known. The distribution structure that they were installed upon was also not tracked in that level of detail.

# ATTACHMENT A:

## Capital Budget Guidelines Compliance Summary

**Capital Budget Guidelines Compliance Summary**

The Provisional Guidelines provide guidance with respect to the format and content of capital budget applications. This guidance is primarily provided via Appendix A to the Provisional Guidelines, which is divided into four parts: (i) General Context; (ii) Organization; (iii) Required Information; and (iv) Prioritization.

Table A-1 summarizes Newfoundland Power’s compliance with *Part I. General Context* of the Provisional Guidelines.

**Table A-1  
Provisional Guidelines Compliance Summary  
Part I. General Context**

Part	Requirement	Reference
I.A. Application Summary	<p>A summary of the capital budget application and a discussion of the major activity drivers in each of the investment classifications.</p> <p>A discussion of the process followed to determine the expenditures which would be proposed and to confirm that these expenditures could not or should not be modified, re-prioritized or deferred until a future year. This should include an explanation as to:</p> <ol style="list-style-type: none"> <li>The expenditures which had been planned for the year but which were modified, reprioritized or deferred until a future year.</li> <li>The expenditures which are proposed for the year after having been deferred in a previous year.</li> </ol>	<p>See the <i>2024 Capital Budget Overview</i> for:</p> <ul style="list-style-type: none"> <li>A summary of the Application and major activity drivers (sections 1.0 and 3.0);</li> <li>A description of Newfoundland Power’s capital planning process (section 2.2); and</li> <li>A list of the capital expenditures that have been deferred, modified or advanced as a result of this capital planning process (Appendix B).</li> </ul>
I.B Reliability Information	<p>Historic and forecast system reliability trend information, including:</p> <ol style="list-style-type: none"> <li>System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) graphs and tables for the overall electrical system as a whole and any relevant sub-segments;</li> <li>A list of the 10 worst performing feeders including relevant outage statistics compared to utility averages for the past 10 years.</li> </ol>	<p>See the <i>2024 Capital Budget Overview</i> for:</p> <ul style="list-style-type: none"> <li>Historical reliability performance under normal operating conditions and a comparison to the Canadian average (section 2.3.1);</li> <li>A comparison to the Atlantic Canadian average (section 2.3.4); and</li> <li>A list of worst performing feeders (Appendix D).</li> </ul> <p>See the <i>2024-2028 Capital Plan</i> (section 2.3 Operations Outlook) for a discussion of reliability performance targets and system reliability performance including significant events.</p>

**Table A-1  
Provisional Guidelines Compliance Summary  
Part I. General Context**

Part	Requirement	Reference
I.C Rate Impact Summary	<p>Summary of rate impacts including:</p> <ol style="list-style-type: none"> <li>1. Historical Rates: Actual electricity rates for the past 10 years.</li> <li>2. Proposed Budget Impact: Revenue requirement impact and indicative electricity rates assuming that the proposed capital budget is approved in full.</li> </ol>	<p>See the <i>2024 Capital Budget Overview</i> (section 2.3.3).</p>
I.D Capital Expenditure Summary	<p>Summary of capital expenditures and capital budgets including:</p> <ol style="list-style-type: none"> <li>1. Historic Capital: Actual capital for the past 10 years.</li> <li>2. Current Capital Budget.</li> <li>3. Forecast Capital: Forecast capital budgets for the next five years.</li> </ol>	<p>See the <i>2024 Capital Budget Overview</i> (section 2.3.2) for historical and proposed capital expenditures.</p> <p>See the <i>2024-2028 Capital Plan</i> for forecast expenditures over the next five years, including forecast expenditures by asset class and investment classification.</p>
I.E Five-Year Capital Plan	<p>A five-year capital plan which focusses on strategic spending priorities, addressing:</p> <ol style="list-style-type: none"> <li>1. Shifts in the utilities spending priorities in the coming five years.</li> <li>2. The circumstances contributing to shifts in priorities.</li> <li>3. The alternative approaches being considered by the utility</li> </ol>	<p>See the <i>2024-2028 Capital Plan</i> for forecast expenditures over the next five years and a discussion of investment priorities over that period.</p>

Table A-2 summarizes Newfoundland Power’s compliance with *Part II. Organization* of the Provisional Guidelines.

Table A-2 Provisional Guidelines Compliance Summary Part II. Organization		
Part	Requirement	Reference
II.A Investment Classification	The information included with an annual capital budget application should be organized by investment classification, by category as whether it is a project or program, and by materiality based on the “all in” capital cost.	See Schedule B for the investment classification, category and “all in” capital cost of each proposed capital expenditure.
II.B Projects and Programs		See the <i>2024 Capital Budget Overview</i> for:
II.C Materiality		<ul style="list-style-type: none"> <li>- A summary of the organization of capital expenditures (Appendix A); and</li> <li>- Breakdowns of the total 2024 Capital Budget by category, investment classification and materiality (sections 3.3, 3.4 and 3.5).</li> </ul>

For information on compliance with *Part III. Required Information*, see Schedule B to the Application, in particular, pages i to iv.

For information on compliance with *Part IV. Prioritization*, see Appendix C of the *2024 Capital Budget Overview*.