

1 Q. If there were only \$50,000,000 for 2020 capital projects allowed please provide a list of which
2 projects would be prioritized in that circumstance?

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5 A. Newfoundland and Labrador Hydro (“Hydro”) has a legislated obligation to manage and operate
6 its system in a manner “. . . that would result in power being delivered to consumers in the
7 province at the lowest possible cost consistent with reliable service . . .”¹ Hydro is also required
8 to “. . . provide service and facilities which are reasonably safe and adequate and just and
9 reasonable.”²

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11 The projects that Hydro proposed within the 2020 Capital Budget Application have been
12 subjected to the necessary scrutiny³ to provide a prudently reviewed application that is
13 reflective of cost constraints and includes the necessary evidence to justify each project.

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15 In the 2020 Capital Projects Overview, Hydro stated:

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17 Hydro recognizes the need to balance system investment to maintain reliability
18 with the management of cost to minimize upward pressure on customer rates.
19 During each annual Capital Budget Application, Hydro refines its next five-year
20 capital plan. In the 2020 plan, in an effort to further reduce the cost impact for
21 customers, while maintaining reliable service, Hydro has additionally adjusted
22 its capital budget plans. To ensure the right cost and reliability balance, Hydro
23 had a goal of further reducing capital where prudent and where Hydro would
24 not be placing the system at inappropriate risk. No priority work activities or
25 projects were deferred.⁴

¹ *Electric Power Control Act*, 1994, SNL 1994, c E-5.1, s 3(b)(iii).

² *Public Utilities Act*, RSNL 1990, c P-47, section 37(1).

³ Including: system performance and reliability criteria: Hydro’s long-term asset management strategy, mandatory criteria (including legislative requirements, Board of Commissioners of Public Utilities’ (“Board”) Orders, safety, and environmental risks), load growth and system planning criteria, maintenance history, condition assessment, performance assessment, cost efficiencies, operating experience, changing operating conditions, familiarity with equipment, operating and maintenance cost, and professional engineering and operations judgment. In addition, there was an assessment to adjust the five-year capital plan to the extent practicable, resulting in the final selection of projects that comprise the Capital Budget Application and proposed five-year plan.

⁴ “2020 Capital Budget Application,” Newfoundland and Labrador Hydro, August 1, 2019, vol. I, “Capital Projects Overview” at pp. 3/25 to 4/4.

1 Hydro believes that the projects contained in the Capital Budget Application provide the proper
2 balance between cost and reliability. The proposed projects are all subject to review by the
3 Board of Commissioners of Public Utilities and intervenors, and each will be subject to approval
4 based on their specific merit. An attempt by Hydro to determine which projects Hydro would
5 need to prioritize in order to fit an arbitrary budget figure could subject aspects of the
6 responsible operation of the system to reliability risk.