

1 Q. In PUB-NP-003 relating to NP's 2020 Capital Budget Application the Board asks if there is an  
2 opportunity to delay or reduce capital expenditures in light of current pressures on customer  
3 rates. The response indicates that there is not because NP is "*always required to ensure its*  
4 *capital expenditures are consistent with the least-cost delivery of safe and reliable service to*  
5 *customers*". The response goes on to say that all expenditures in the Capital Budget Application  
6 meet this standard. Is Hydro also required to "*ensure its capital expenditures are consistent with*  
7 *the least-cost delivery of safe and reliable service to customers*"? Have there been times when  
8 Hydro has delayed capital projects? Please provide examples of capital projects that have been  
9 delayed in the past, and explain what subsequent actions were taken and identify the impact of  
10 the delay on customers.

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13 A. As per the *Electrical Power Control Act* ("Act"), Newfoundland and Labrador Hydro ("Hydro") is  
14 required to deliver power to consumers in the province at the lowest possible cost consistent  
15 with reliable service. Hydro assesses all projects for possible deferral and, as part of that  
16 assessment, annually excludes projects that can be completed in a future year at a manageable  
17 consumer risk. Projects included in annual Capital Budget Applications are proposed reflecting  
18 Hydro's requirement under the *Act*.

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Some examples of projects deferred from the five-year plan are as follows:

- 21 • Terminal Stations: Through a stronger focus on condition assessments, Hydro was able  
22 to remove approximately \$18 million from the Replace Power Transformers project  
23 planned expenditures by monitoring the condition of the transformers and not planning  
24 their replacement based on age. Using condition-based data, Hydro deferred the  
25 expenditure and does not believe there is additional risk to consumers.
- 26 • Wood Pole Transmission: Through the Wood Pole Line Management ("WPLM")  
27 Program, Hydro has deferred the replacement of TL 218 (approximately \$15 million) and  
28 TL 203 (approximately \$58 million) from the five-year plan and does not believe these  
29 deferrals create additional risk for customers. Hydro will continue to monitor the

1 program with the goal of extending the life of these and other wood pole transmission  
2 lines and deferring replacement.

- 3 • Buildings: Through stronger condition assessment and additional maintenance  
4 investment Hydro has been able to defer refurbishment costs for building assets by  
5 approximately \$13 million in the five-year plan.
- 6 • Rural Generation: Through modification of the criteria for diesel engine overhauls, by  
7 taking into account the extended interval of 30,000 hours for 1200 RPM engines,<sup>1</sup> Hydro  
8 has reduced the five-year plan by approximately \$2 million.

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<sup>1</sup> Refer to Hydro's Capital Budget Application, Volume II, Tab 13.