

1 Q. Please identify and demonstrate what considerations and subsequent actions have been taken
2 by Hydro to control and/or reduce capital expenditures while maintaining reliable service?

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5 A. Newfoundland and Labrador Hydro (“Hydro”) continues to enhance its capital planning
6 approach, particularly in light of the rate pressures in the province at this time. In 2018, Hydro
7 began increased scrutiny of the future five-year capital spending plan to remove costs from the
8 five-year plan with an aim to contribute to rate mitigation. This scrutiny continued in 2019, and
9 the forecasted capital expenditure for the next five years is 34% or approximately \$250 million
10 less than the five-year plan developed two years ago.

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12 Specifically, Hydro reviewed projects based on more current assessments of asset condition,
13 enabling Hydro to adjust the time frames associated with project execution such that the
14 projects are planned further in the future than previously assessed (e.g., power transformers,
15 building refurbishments, light-duty mobile equipment, access road refurbishments, mechanical
16 governors, and turbine refurbishments). This allowed Hydro to adjust the timing of the capital
17 investment while seeking to balance reliability and cost. At a minimum, Hydro intends to
18 maintain this reduced level of expenditure or continue to find areas to reduce costs, where
19 possible. Hydro is cognizant of the necessity of appropriate capital spending and will closely
20 monitor the effects of this reduced plan while also monitoring asset condition and reliability and
21 being responsive to major customer growth needs. Hydro will take prudent steps to adjust
22 capital in subsequent years should it be justified to seek additional funds.