

1 Q. **Reference: Tab C; Volume I: Capital Projects Over \$500,000 (Thermal In-Service Failures)**

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3 What criteria does Hydro use when determining whether a project should be executed under  
4 the Thermal In-Service Failure or Allowance for Unforeseen Expenditures or whether a  
5 Supplemental Capital Budget Application should be submitted?

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8 A. The Thermal In-Service Failure project would be used upon discovery of an unanticipated  
9 equipment condition that has a required corrective action estimated to be, in general, less than  
10 \$500,000<sup>1</sup> and the urgency of the work makes it impractical to seek approval through a  
11 Supplemental Capital Budget Application. The Thermal In-Service Failure project is also used to  
12 procure both planned and unanticipated capital spares items to support future in-service failure  
13 work.

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15 Executing work for a thermal in-service failure under the Allowance for Unforeseen Items  
16 Account would occur upon the discovery of an unanticipated equipment condition with a  
17 required corrective action estimated to be greater than \$500,000 and the urgency of the work  
18 makes it impractical to seek approval through a Supplemental Capital Budget Application.

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20 A Supplemental Capital Budget Application for a thermal in-service failure would be used in  
21 circumstances when the discovery of an unanticipated equipment condition does not require  
22 corrective action to be undertaken within the Thermal In-Service Failure project or within the  
23 Allowance for Unforeseen Items Account based on the criteria noted previously in this response,  
24 but the corrective action cannot be delayed for inclusion in the following year Capital Budget  
25 Application.

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27 Newfoundland and Labrador Hydro (“Hydro”) provides a detailed listing of all work executed  
28 under the Thermal In-Service Failure project, as well as the Terminal Station and Hydraulic In-  
29 Service Failure projects, in the year-end Capital Expenditures and Carryover Report for review by

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<sup>1</sup> On occasion, final execution may mean that a project exceeds the \$500,000 estimate.

1 the Board of Commissioners of Public Utilities. Hydro also provides a listing of proposed work to-  
2 date and previous years' work in each Capital Budget Application for transparency regarding  
3 work execution under each In-Service Failure project.