

1 **Q. (a) Has Newfoundland Power given consideration to how possible outcomes of the**
2 **rate mitigation reference might affect the 2020 Capital Budget?**
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4 **(b) Should any potentially affected projects, such as the Customer Service System,**
5 **be deferred for future evaluation pending decisions on rate mitigation actions?**
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7 A. (a) Newfoundland Power has considered how possible outcomes of the rate
8 mitigation reference might affect the 2020 Capital Budget.
9

10 Outcomes of the rate mitigation reference remain uncertain. The outcome that
11 would most directly affect Newfoundland Power's capital program relates to the
12 transfer of certain electrical system assets, and associated capital requirements,
13 from Newfoundland and Labrador Hydro ("Hydro") to Newfoundland Power.¹
14 Whether any such transfer would be recommended or ultimately pursued would
15 depend on a number of factors that are currently under examination.
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17 All expenditures included in Newfoundland Power's *2020 Capital Budget*
18 *Application* are consistent with the continued delivery of reliable service to
19 customers at least cost. No proposed 2020 expenditures have been identified that,
20 in the Company's view, would be affected by a future transfer of electrical system
21 assets from Hydro to Newfoundland Power.
22

23 Certain projects in the Company's 5-year capital plan, however, may be affected by
24 a transfer of electrical system assets. This includes, for example, the planned
25 replacement of Newfoundland Power's Customer Service System commencing in
26 2021. This project would be affected if retail operations were transferred from
27 Hydro to Newfoundland Power. Under such circumstances, Newfoundland Power
28 would consider whether any adjustments are required to its plan for replacing its
29 Customer Service System.²
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31 (b) Newfoundland Power's *2020 Capital Budget Application* does not propose any
32 expenditures in 2020 related to the replacement of the Company's Customer Service
33 System. See part (a) above for more information.

¹ The Board stated its focus as part of the reference will include "whether there are rate mitigation opportunities associated with expanding Newfoundland Power's role into what are currently Hydro responsibilities." See the Board's Interim Report on Rate Mitigation Options and Impacts, February 15, 2019, page 24.

² Newfoundland Power's plan for assessing its replacement options for the Customer Service System was provided in response to Request for Information PUB-NP-008 filed as part of the Company's *2019/2020 General Rate Application*.