

1 Q. **Reference: Application**

2 If the Board were to authorize a fixed amount of capital expenditure(s) by Hydro in 2022 that is
3 less than \$84,714,000 and if the Board were to do so without rejecting any particular proposed
4 capital expenditure(s), would Hydro have the judgement, expertise and tools to determine what
5 of its proposed 2022 capital expenditures can be accommodated within that fixed amount of
6 capital expenditures considering both work priority and execution capability? Specifically, under
7 this scenario how would Hydro make use of the project prioritization outlined in Table H-1,
8 Appendix H?

9

10

11 A. Newfoundland and Labrador Hydro (“Hydro”) has the judgement, expertise, and tools to
12 determine which capital expenditures are necessary for 2022 and has reflected such in its 2022
13 Capital Budget Application (“CBA”). It is Hydro’s view that a fixed amount of capital expenditure
14 lower than the \$84.7 million proposed would result in risk to the provision of safe, reliable,
15 least-cost service for customers as Hydro, through its CBA preparations, has already taken
16 deliberate action (as outlined in Hydro’s response to CA-NLH-016 of this proceeding) to reduce
17 investment levels where practicable. The projects included in the 2022 CBA are those deemed
18 necessary for the continued operation of a safe and reliable provincial electricity system.
19 Furthermore, adopting a fixed capital expenditure amount would be an exercise of selecting an
20 arbitrary cap on capital expenditures and would not reflect current regulatory practice. The
21 prioritization matrix is one of a number of considerations used by Hydro to inform its total
22 capital investment application; this tool uses a scoring system to evaluate the priority of projects
23 based on prescribed categories. However, it is important to note that even the lowest ranking
24 project is required, otherwise it would not have made it past Hydro’s initial screening
25 assessment.