

1 **Q. (Reference CA-NP-001) The response provides historical data for the past 20 years**
2 **and forecast data for the years 2021 through 2026 relating to rate base, revenue**
3 **requirement, capital budgets and year-over-year rate changes. In 18 of the 21 years**
4 **since 2001 Newfoundland Power has exceeded the approved capital budget amount**
5 **and in 3 years Newfoundland Power has spent less than the approved capital budget**
6 **amount. For the 3 years (2016, 2017 and 2021) that Newfoundland Power has spent**
7 **less than the approved capital budget amounts:**

- 8 a) **Explain why the approved amounts were not spent. Is the underspending in**
9 **2021 related to Covid-19?**
10 b) **In 2016 and 2017 did Newfoundland Power fail to meet its mandate? If not,**
11 **why not? If so, how, and to what extent, were customers impacted?**
12 c) **Will Newfoundland Power fail to meet its mandate in 2021? If not, why not?**
13 **If so, how, and to what extent, will customers be impacted?**
14 d) **In years when Newfoundland Power underspends the approved capital**
15 **budget amounts that Newfoundland Power claims are required if it is to meet**
16 **its mandate, what actions are available to the Board to address**
17 **Newfoundland Power's failure to meet its mandate, and what actions should**
18 **the Board take, for example, in 2021?**

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20 A. a) Capital expenditure variances are reflected in Newfoundland Power's annual
21 Capital Expenditure Reports. In accordance with the *Capital Budget Application*
22 *Guidelines*, variance explanations are provided when a capital project has a
23 variance greater than 10% and \$100,000.

24
25 In 2016 and 2017, Newfoundland Power's overall capital expenditures were less
26 than the approved budget. On a project-by-project basis, some projects had actual
27 capital expenditures that were less than the approved budget, and some projects
28 had actual capital expenditures that were more than the approved budget.

29
30 Factors that contributed to actual capital expenditures varying from budget
31 include: (i) higher or lower than anticipated work volumes for projects where
32 expenditures are estimated based on historical averages, such as in-service
33 failures; (ii) higher or lower than expected contractor prices; (iii) higher or lower
34 than expected equipment prices; (iv) environmental conditions; and (v) higher or
35 lower than expected customer connections.

36
37 Actual capital expenditures forecast for 2021 are reflected in the Company's *2021*
38 *Capital Expenditure Status Report*.¹ Newfoundland Power is forecasting a
39 reduction of approximately \$1.6 million in distribution expenditures. This
40 primarily reflects a forecast reduction in new customer connections from 2,379 to
41 2,096.²

¹ See the *2022 Capital Budget Application, 2021 Capital Expenditure Status Report*.

² See the *2022 Capital Budget Application, 2021 Capital Expenditure Status Report, Appendix A*.

- 1 b) No, Newfoundland Power did not fail to meet its mandate in 2016 and 2017. The
2 factors contributing to the variances in capital expenditures, as described in part
3 (a), were largely outside of the Company’s control and did not affect its ability to
4 meet its obligations under the *Public Utilities Act* or the *Electrical Power Control*
5 *Act, 1994*.
6
7 c) No, Newfoundland Power does not expect that it will fail to meet its mandate in
8 2021. As described in part (a), the forecast variance in 2021 capital expenditures
9 primarily reflects a forecast reduction in new customer connections. A forecast
10 reduction in new customer connections will not affect the Company’s ability to
11 meet its obligations under the *Public Utilities Act* or the *Electrical Power Control*
12 *Act, 1994*.
13
14 d) Newfoundland Power has consistently met its obligations under the *Public*
15 *Utilities Act* or the *Electrical Power Control Act, 1994*. The Company cannot
16 speculate as to what actions may be available to the Board in the event that the
17 Company does not meet its mandate.