

1 Q. **Reference: Application**

2 The Midgard report titled Capital Budget Application Guideline Review filed with the Board on  
3 October 29, 2020 states (page 61):

4 declaring that a project went to competitive tender as evidentiary justification  
5 for meeting least cost reliable services does not address key Board questions  
6 such as “At what unit cost are system reliability and risk profile improved by the  
7 project”, “Does the ratepayer value the improvement in system reliability and  
8 risk reduction more than the project cost?”, and “How cost effective are the  
9 proposed improvements in system reliability and risk reduction compared to  
10 other budget items being proposed and other alternatives that are available?

11 Has Hydro provided answers to these questions in the 2023 CBA? If so, please provide all  
12 references.

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15 A. Newfoundland and Labrador Hydro (“Hydro”) endeavored to address those recommendations  
16 made by Midgard Consulting Inc. as set out in the Board of Commissioners of Public Utilities’  
17 provisional Capital Budget Application Guidelines.<sup>1</sup> However, Hydro’s project/program  
18 prioritization, provided in Section 7.0 of Hydro’s Capital Budget Overview, provides the risk  
19 mitigated per \$1 million spent, which answers the question “At what unit cost is risk profile  
20 improved by the project” and “How cost effective are the proposed improvements in system  
21 reliability and risk reduction compared to other budget items being proposed and other  
22 alternatives that are available?.” While Hydro does not have sufficient data, metrics, or  
23 processes to determine the reliability improvement per unit cost, reliability is a key component  
24 of Hydro’s risk scoring and is therefore intrinsically considered in Hydro’s risk ranking.

25 Hydro does not assess whether the ratepayer values the improvement in system reliability and  
26 risk reduction more than the project costs for individual projects or programs. For details on

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<sup>1</sup> “Capital Budget Application Guidelines (Provisional),” Board of Commissioners of Public Utilities, January 2022.

- 1 Hydro's customer engagement, please refer to Hydro's response to CA-NLH-045 of this
- 2 proceeding.