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November 21, 2022

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro – 2023 Capital Budget Application –
Newfoundland Power's Submission**

Newfoundland and Labrador Hydro's ("Hydro") *2023 Capital Budget Application* (the "Application") was filed with the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "Board") on July 13, 2022. Newfoundland Power Inc. ("Newfoundland Power" or the "Company") filed an Intervenor Submission on July 29, 2022, requesting participation in the Board's hearing of the Application.

In its revised review schedule for the Application, the Board set today's date as the deadline for final written submissions by all intervenors save for the Consumer Advocate. This is Newfoundland Power's final written submission with respect to the Application.

Newfoundland Power does not oppose the approval of any specific capital expenditure proposed in the Application. The Company's comments primarily concern Hydro's capital planning and the degree to which it provides a fulsome view of future capital requirements and facilitates efficient and transparent review processes.

The stability and predictability of Hydro's capital expenditures is a matter of interest to Newfoundland Power's customers. The Company purchases approximately 93% of the energy required to supply its customers from Hydro. Wholesale supply costs from Hydro represent the single largest cost recovered from Newfoundland Power's customers.

The Board has ordered the filing of five-year capital plans as a mechanism to maintain the stability and predictability of year over year capital budgets.¹ Stability and predictability of capital expenditures is conducive to stability and predictability in customer rates, which is an established regulatory principle.²

¹ See Order No. P.U. 35 (2003), page 31.

² See Order No. P.U. 7 (2002-2003), page 29.

Newfoundland Power Inc.

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In Newfoundland Power's view, the volume of supplemental applications filed by Hydro in recent years, as well as apparent exclusions from its capital plan, reduces transparency and imposes challenges in assessing the stability and predictability of Hydro's overall capital program.

Hydro has filed 48 supplemental applications for the approval of capital expenditures over the last five years, or nearly 10 applications per year.³ These supplemental applications are considered outside of the context of Hydro's annual capital budget applications. In Newfoundland Power's view, the volume of supplemental applications filed by Hydro poses certain challenges in evaluating its proposals. It creates uncertainty in Hydro's annual capital requirements, which makes it challenging to judge the stability of Hydro's overall capital program. It imposes limitations when intervenors attempt to assess the potential impacts of one proposal on others when information on proposals is provided across a number of separate proceedings happening at different times. It also contributes to regulatory inefficiency by necessitating a large number of separate review processes for applications annually.

Additionally, Hydro stated that its capital plan excludes projects to address load growth in Labrador resulting from customer requests.⁴ It also excludes capital expenditures related to the continued operation of the Holyrood Thermal Generating Station beyond 2024, and other potential expenditures associated with Hydro's ongoing *Reliability and Resource Adequacy Study*.⁵ Newfoundland Power questions what options may be available to improve the completeness of Hydro's capital plans to permit more fulsome assessments of its annual capital requirements and potential impacts on customer reliability and rates.

Based on the foregoing, Newfoundland Power submits that it would be beneficial for Hydro to review its capital planning process with a view to improving the completeness of its annual capital budget applications and capital plans. Hydro should consider options to enhance the transparency of its capital plans by providing a more fulsome picture of future capital requirements. Any such review should also consider options to reduce the frequency of supplemental applications, where possible, in order to streamline review processes and reduce inefficiencies in the regulatory process. In the Company's view, such an exercise could assist intervenors in understanding whether Hydro's plans provide for reasonable stability and predictability in its year over year capital requirements.

³ See response to Request for Information NP-NLH-026, Attachment 1.

⁴ See response to Request for Information NP-NLH-002

⁵ See response to Request for Information NP-NLH-003.

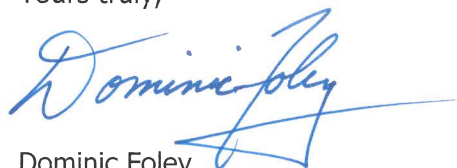
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If you have any questions regarding the enclosed, please contact the undersigned.

Yours truly,



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