Q. (Reference Application) Under current legislation capital budget applications must be submitted yearly. Would a change in legislation requiring capital budget application submissions every 3 years as part of a general rate application lead to a more efficient regulatory process? What are the pros and cons of such a change in legislation?

A. Newfoundland Power is not in a position to predict whether a change in legislation requiring capital budget application ("CBA") submissions every three years as part of a general rate application ("GRA") would lead to a more efficient regulatory process. The Company would need detail on the three-year approval process, as well as any other concurrent legislative amendments, in order to accurately assess the impacts to workload and to identify efficiencies.[1] The Company notes that a three-year CBA process is not common practice in cost of service jurisdictions in Canada. For the purposes of responding to this Request for Information, the Company offers the following high-level observations.

Removing the requirement for annual capital budget approvals would reduce the Company's annual workload in terms of preparation of the capital budget. The annual workload would also decrease for the Company, intervenors and the Board in terms of the hearing of the CBA, including presentations, interrogation, technical conferences, submissions and orders. This decrease in annual workload in two of every three years would likely be offset in some respect by an increase in process relating to the Company's GRA to accommodate the three-year CBA, including the potential for extended timelines for that proceeding. There would continue to be a significant workload to complete all engineering analyses, condition assessments and reports. This work is required regardless of a CBA being filed annually or every three years.

The Company would likely have to revise its capital planning process to accommodate a three-year CBA cycle. For example, the use of a three-year CBA cycle would likely rely on a greater use of contingencies and escalation in preparing budget estimates. The Company also anticipates there would be a greater use of supplemental capital expenditure applications in intervening years as compared to current practice in order to be responsive to customers and electrical system requirements. Overall, any transition would likely lead to additional work in the short term, but may yield efficiencies as processes evolve.

The Company recognizes the importance of promoting regulatory efficiency, which in turn keeps costs low for customers.

[1] This includes consideration of any changes to the rate-setting process and changes to evidentiary requirements.