

1 Q. **Reference: Program 6 - Distribution System In-Service Failures, Miscellaneous Upgrades &**
2 **Street Lights (2023)**

3 On page i, lines 21-22, Hydro states that the 2023 budget estimate of \$3,986,000 for this
4 program is based on the average expenditures over the past three years (2019 to 2021).
5 However, in its 2022 capital budget application (Tab 20, page 2) Hydro provided the historical
6 expenditures for a five-year period and stated that, based on historical expenditures, Hydro
7 forecasts an anticipated project estimate for the following year.

8 a) Please explain why Hydro has changed its methodology of developing a budget estimate for
9 this program in its 2023 Capital Budget.

10 b) According to Chart 2 on page 6, the 2021 historical expenditures were significantly higher
11 than 2019 and 2020 historical expenditures. Does Hydro view 2021 as an anomaly and, if
12 so, was that factored into the calculation of the 2023 budget estimate? If it wasn't factored
13 into the calculation, please explain the rationale for not doing so.

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16 A. a) Newfoundland and Labrador Hydro ("Hydro") updated the methodology for estimating the
17 2023 program Distribution System In-Service Failures, Miscellaneous Upgrades & Street
18 Lights to a three-year average as this was found to be more representative of the actual
19 expected costs for 2023. A three-year average more accurately incorporated the price
20 increases seen over the past two to three years in the execution of this program.

21 b) Hydro does not see the 2021 expenditures as an anomaly. Along with the cost increases
22 noted in part a) of this response, Hydro does not currently have the asset management
23 infrastructure to predict all failure modes. Data obtained through preventive maintenance
24 activities is not comprehensive enough for Hydro to make accurate predictions on the
25 likelihood of failure. As such, while the 2021 expenditure was higher than historical average,
26 Hydro cannot say with certainty there will not be subsequent years with higher than average
27 expenditure. Hydro proposed the in-service failure program to account for such unknown
28 failures and has found it to be an effective way to manage this work. Hydro notes that actual

1 expenditures within this program are dependent on the actual quantity and nature of in-
2 service failures that occur; in the event that actual expenditures differ from the proposed
3 budget, this discrepancy will be reflected in the calculation of subsequent three-year
4 averages.