

1 Q. **Reference: Application, 2024 Capital Budget Overview, page 6**

2 It is stated

3 Hydro has also proposed to the Board the addition of 'Economics' to the
4 categories in which projects and programs are evaluated for risk mitigation.

5 Please explain how such a category of risk mitigation might be structured and introduced.

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8 A. Newfoundland and Labrador Hydro ("Hydro") believes that the addition of 'Economics' to the
9 categories in which projects and programs are evaluated for risk mitigation would enable more
10 fulsome risk evaluation of capital projects and programs not justified on the basis of safety,
11 reliability, and environment. In its research on capital risk methodology prior to the 2024 Capital
12 Budget Application, Hydro observed that other utilities generally include economics as a factor
13 in risk evaluation. Such a category would typically be structured on the basis of net present
14 value, considering both project and program costs and associated cost savings over a given
15 study period. Should this change be prescribed in the provisional Capital Budget Application
16 Guidelines¹ scenarios wherein the consideration of economics would allow a more fulsome risk
17 evaluation, include service enhancement-driven expenditures that may be motivated by cost
18 savings for ratepayers, such as a reduction in operating costs.

¹ "Capital Budget Application Guidelines (Provisional)," Board of Commissioners of Public Utilities, January 2022.