

1 **Q. Reference: Program 6 Overhaul Hydraulic Units (2025)**

2 Page 12 of the Provisional Guidelines states “Generally, programs comprise assets with
3 individual asset values *significantly less than the lowest materiality threshold* (e.g., distribution
4 pole top transformer replacements, but not substation transformer replacements), but
5 evidentiary requirement is based on the overall program budget.” The Overhaul Hydraulic Units
6 (2025) program involves the overhaul of hydraulic units BDE units 1 and 2 at an estimated
7 budget of approximately \$5 million. Please explain how this program conforms with the
8 materiality threshold established in the Provisional Guidelines.

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11 **A.** The Overhaul Hydraulic Units Program involves the overhaul of Bay d’Espoir Units 1 and 2 at a
12 combined estimated budget of approximately \$5 million, with the Unit 1 and 2 overhauls
13 estimated at \$2,589,800 and \$2,382,600, respectively. The execution of the work for each unit
14 will be completed separately, during the extended outage for the previously approved
15 Penstock 1 Life Extension Project.¹ Typically, unit overhauls do not include additional work
16 besides the normal checks and inspections; however, the proposed 2025 program will also
17 include an expanded refurbishment scope due to the required overhaul of the spherical valves
18 for Units 1 and 2.² Although overhauls for spherical valves are required less often than other
19 components, Hydro would still consider them to be essential, expected and cyclical work that is
20 part of the normal operation and maintenance of Hydraulic Units. Over the lifetime of the units,
21 the spherical valves represent a smaller annualized cost and thus not as materially significant
22 when compared to other components/assets that would fall outside a program scope.

23 Hydro is committed to continuous improvement in the formulation of its capital budget
24 application (“CBA”) and recognizes the value of the guidance and direction provided in the
25 provisional CBA Guidelines (“Guidelines”)³ that will aid in enabling a fulsome review of Hydro’s

¹ Approved in Board Order No. P.U. 6(2023).

² Newfoundland and Labrador Hydro (“Hydro”) has previously expanded the refurbishment scope of this program when necessary, most recently for the overhaul of Cat Arm Unit 1 in 2023.

³ “Capital Budget Application Guidelines (Provisional),” Board of Commissioners of Public Utilities, January 2022.

1 capital investments by its stakeholders. Hydro noted that the referenced portion of the
2 Guidelines states that “generally” programs comprise assets with individual asset values
3 significantly less than the lowest materiality threshold. Hydro believes that the Overhaul
4 Hydraulic Units Program most closely met the overall criteria for programs, instead of project,
5 and categorized it as such. Hydro believes that it has met the spirit and intent of the Guidelines
6 for all projects or programs proposed in the 2025 CBA and that the evidence provided in support
7 of this application fully supports proposed investments.