

1 **Q. In a report by Elenchus titled "Comments on Newfoundland Power's 2022**
 2 **Capital Budget Application", Elenchus stated at page 35: "Elenchus has not**
 3 **examined the alternatives that NP included in its economic evaluations of all**
 4 **capital projects included in the 2022 CBA for the purpose of identifying**
 5 **information deficiencies. However, as noted above, it appears to Elenchus**
 6 **that NP has not approached the economic analysis of the projects by**
 7 **identifying and evaluating "a reasonable range of alternative solutions".**
 8 **Elenchus then concluded: "... it follows that all relevant information has not**
 9 **been identified and included as is necessary to identify the least cost option**
 10 **and therefore prudent alternative."**

11 **a) In this particular application, please provide evidence that NP has, in fact,**
 12 **conducted economic evaluations of all capital projects and evaluated a**
 13 **reasonable range of alternative solutions.**

14 **b) In each and every capital budget expenditure, has NP examined and**
 15 **expensed all of the alternatives to provide evidence to the Board that its**
 16 **proposal is cost effective and reasonable?**

17
 18 A. a) The Provisional Guidelines do not require an assessment of alternatives or a cost-
 19 benefit analysis for projects or programs with a materiality less than \$1 million.
 20 Where they are required, they are included in each individual project or program
 21 overview in Schedule B of the *2025 Capital Budget Application* or in individual project
 22 reports.

23
 24 b) Further to part a) of this response, where required by the Provisional Guidelines,
 25 proposed capital expenditures include an assessment of alternatives and a cost
 26 benefit analysis that demonstrate their cost effectiveness.

27
 28 See also Table A-1 of Appendix A of the *2025 Capital Budget Overview*. There are
 29 seven projects and one program in the *2025 Capital Budget Application* with a
 30 materiality between \$750,000 and \$1 million for which an assessment of alternatives
 31 and cost benefit analysis is not explicitly required.¹ These expenditures are justified
 32 on the basis of the Company's statutory obligations to provide reliable service in a
 33 manner that is least cost for customers and to maintain service and facilities that are
 34 reasonably safe and adequate. Newfoundland Power's *2025 Capital Budget*
 35 *Application* includes comprehensive descriptions and justifications of each proposed
 36 capital expenditure.

¹ The *Allowance for Unforeseen Items* is required by the Provisional Guidelines. See the Provisional Guidelines, page 5 of 18.