
Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

IN THE MATTER OF THE
2023 CAPITAL BUDGET APPLICATION

FILED BY
NEWFOUNDLAND AND LABRADOR HYDRO

REASONS FOR DECISION

ORDER NO. P.U. 2(2023)

BEFORE:

Dwanda Newman, LL.B.
Vice-Chair

John O'Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LL.B., FCIP
Commissioner

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

REASONS FOR DECISION

ORDER NO. P.U. 2(2023)

IN THE MATTER OF the **Electrical Power Control Act, 1994**, SNL 1994, Chapter E-5.1 (the “**EPCA**”) and the **Public Utilities Act**, RSNL 1990, Chapter P-47 (the “**Act**”), as amended, and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro for an Order pursuant to sections 41 and 78 of the **Act**: (a) approving capital expenditures for 2023 projects and multi-year projects commencing in 2023; (b) approving its 2023 Capital Budget; and (c) fixing and determining its average rate base for 2021.

BEFORE:

Dwanda Newman, LL.B.
Vice-Chair

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Commissioner

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1 **1. BACKGROUND**

2

3 1.1. Regulatory Framework

4

5 Section 41 of the **Act** requires a public utility to submit an annual capital budget of proposed
6 improvements or additions to its property for approval of the Board no later than December 15th
7 in each year for the next calendar year. A utility must also include an estimate of contributions
8 toward the cost of improvements or additions to its property which it intends to demand from
9 its customers.

10

11 Subsection 41(3) of the **Act** prohibits a utility from proceeding with the construction, purchase
12 or lease of improvements or additions to its property without the prior approval of the Board
13 where (a) the cost of the construction or purchase is in excess of \$50,000, or (b) the cost of the
14 lease is in excess of \$5,000 in a year of the lease.

15

16 Section 78 of the **Act** gives the Board the authority to fix and determine the rate base for the
17 service provided or supplied to the public by the utility and also gives the Board the power to
18 revise the rate base. Section 78 also guides the Board on the elements included in the utility's
19 rate base.

20

21 In 2007 the Board established Capital Budget Guidelines. The Board adopted new Capital Budget
22 Application Guidelines (the "Guidelines") provisionally effective January 2022.¹ The Board
23 conducted this proceeding pursuant to the Guidelines.

24

25 1.2. Application

26

27 Newfoundland and Labrador Hydro ("Hydro") filed its 2023 Capital Budget Application (the
28 "Application") with the Board on July 13, 2022. In the Application Hydro requested that the Board
29 make an order:

30 (a) approving its 2023 capital purchases and construction projects in excess of \$50,000;

31 (b) approving a 2023 Capital Budget in the amount of \$90,828,700; and

32 (c) fixing and determining a 2021 rate base of \$2,321,756,000.

33

34 Hydro's 2023 Capital Budget proposal includes the following estimated expenditures by asset
35 class:

¹ Capital Budget Application Guidelines (Provisional), January 2022.

Proposed 2023 Capital Budget by Asset Class

<u>Asset Class</u>	<u>Budget</u>
Generation	
Hydraulic Plant	\$12,243,200
Thermal Plant	19,087,900
Gas Turbines	687,900
Tools and Equipment	218,300
General Properties	
Transportation	1,901,300
Administration	273,800
Information Systems	1,264,000
Telecontrol	1,258,200
Transmission and Rural Operations	
Transmission	2,976,100
Distribution	11,099,800
Properties	565,100
Metering	4,592,200
Tools & Equipment	3,514,600
Terminal Stations	21,106,400
Generation	9,039,900
Allowance for Unforeseen Items	1,000,000
Total	\$90,828,700

1 On January 26, 2023 the Board issued Order No. P.U. 2(2023) approving, among other things, the
 2 proposed capital expenditures and Hydro’s 2023 Capital Budget with reasons to be issued
 3 separately. These are the Board’s Reasons for Decision.

4

5 1.3. Procedural Matters

6

7 Notice of the Application, including an invitation to participate, was published on July 23, 2022.
 8 Details of the Application and supporting documentation were posted on the Board’s website.

9

10 Newfoundland Power Inc. (“Newfoundland Power”), a group of industrial customers (the “Island
 11 Industrial Customer Group”),² a group of communities in Labrador (the “Labrador Interconnected
 12 Group”),³ and the Consumer Advocate, Dennis Browne, K.C. (the “Consumer Advocate”) filed
 13 intervenor submissions indicating an intention to participate in the Application.

² Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) LP (formerly NARL Refining Limited Partnership) and Vale Newfoundland and Labrador Limited are the members of the Island Industrial Customer Group.

³ The communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and Labrador City are the members of the Labrador Interconnected Group.

1 On August 10, 2022 Hydro provided an overview of the Application in a presentation to
2 representatives from the Board and the Intervenors. This process afforded participants with an
3 opportunity to ask questions or raise areas of concern on the Application.

4
5 The Board, Newfoundland Power, the Island Industrial Customer Group, the Labrador
6 Interconnected Group, and the Consumer Advocate initially issued 156 Requests for Information
7 to Hydro. Hydro responded to these requests on September 13, 2022.

8
9 On September 16, 2022 the Island Industrial Customer Group requested that the Board convene
10 a technical conference and identified issues that required further review.

11
12 On September 29, 2022 Grant Thornton LLP, the Board's financial consultant, filed a report on its
13 review of the calculation of the 2021 average rate base. The Board provided this report to
14 Newfoundland Power, the Island Industrial Customer Group, the Labrador Interconnected Group,
15 the Consumer Advocate, and Hydro.

16
17 On October 6, 2022 the Board convened the technical conference requested by the Island
18 Industrial Customer Group. Representatives from the Board and the Intervenors attended to ask
19 questions and discuss areas of concern on the Application with Hydro's representatives.

20
21 On October 14, 2022 the Board, Newfoundland Power, the Island Industrial Customer Group, and
22 the Consumer Advocate issued additional Requests for Information related to the technical
23 conference and the Application. Hydro responded to these requests on October 31, 2022.

24
25 Newfoundland Power, the Island Industrial Customer Group and the Labrador Interconnected
26 Group filed written submissions on November 21, 2022. The Consumer Advocate filed a written
27 submission on November 25, 2022. Hydro filed its reply submission on November 30, 2022.

28 29 30 **2. EVIDENCE AND SUBMISSIONS**

31 32 **2.1. Evidence**

33
34 The Application requests approval of, among other things:

- 35 • capital expenditures in 2023 of \$40,612,000 for projects over \$50,000 scheduled for
36 completion in 2023;
- 37 • capital expenditures in 2023 of \$9,063,500 for multi-year projects over \$50,000
38 commencing in 2023;
- 39 • capital expenditures in 2023 of 5,923,300 related to multi-year projects approved in
40 Order No. P.U. 2(2021) and \$35,229,900 related to multi-year projects approved in Order
41 No. P.U. 37(2021); and
- 42 • future year capital expenditures associated with multi-year projects commencing in 2023
43 in the amount of \$36,348,300 in 2024 and \$1,586,600 in 2025.

1 The Application proposes 89 capital projects and programs totalling \$90,828,700. Forty-two of
2 the projects and programs are proposed for execution during 2023 with expenditures totalling
3 \$40,612,000.⁴ Twenty-five more are proposed to start in 2023 with expenditures of \$9,063,500.
4 The proposed 2023 expenditures include \$41,153,200 for multi-year projects or programs
5 approved in prior capital budget applications. Hydro confirms that these expenditure plans have
6 not changed materially in scope, nature, or magnitude from those previously approved.
7

8 In accordance with the legislation, regulations and Guidelines, Hydro included information
9 relating to proposed expenditures and, for a number of projects, provided additional studies and
10 reports. The Application also included specific information required to be filed in compliance with
11 previous Board Orders, including a status report on 2022 capital expenditures, an overview of
12 future operation and capital expenditure requirements for the Holyrood Thermal Generating
13 Station, a five-year capital plan, as well as evidence relating to deferred charges and a
14 reconciliation of average rate base to invested capital. As required by the Guidelines capital
15 budget applications, the Application included a prioritized list of all projects and programs
16 organized by investment classification: Mandatory, Access, System Growth, Renewal, Service
17 Enhancement and General Plant.
18

19 The Application states that to comply with the Guidelines Hydro retired its legacy prioritization
20 matrix and adapted a corporate risk assessment matrix for use in evaluating capital projects. The
21 matrix model scores programs and projects on the basis of reliability, safety, or environmental
22 risk, based on a judgment of probability of a given risk materializing. Hydro's methodology for
23 assessing the impact on risk and reliability is to assess risks prior to and after the implementation
24 of the capital investments proposed and calculate the risk mitigation as the difference between
25 pre- and post-implementation risk. Hydro also calculated risk mitigated per \$1,000,000 of
26 expenditure for each program or project.
27

28 Hydro's five-year capital plan reflects an investment of approximately \$612 million in plant and
29 equipment over the 2023–2027 period.⁵ Over the five-year period, the average total annual
30 capital expenditure is approximately \$122 million. The five-year capital plan includes life
31 extension work at the Bay d'Espoir Penstocks currently estimated at \$63 million and projects for
32 the renewal of assets at the Holyrood Thermal Generating Station totalling \$70 million.⁶ The five-
33 year capital plan also reflects system growth expenditures related to capital upgrades required
34 to accommodate growth in Labrador West at a cost of \$12 million and service enhancement
35 expenditures, including the interconnection of the communities of southern Labrador currently

⁴ The Guidelines define projects as "individual capital investments, typically of a non-repetitive nature, which are justified and budgeted separately from capital programs." Programs are defined as "capital investments comprised of a number of asset-related activities that are high volume, repetitive, like-for-like capital replacements, enhancements, or additions that are expected to continue into the foreseeable future."

⁵ Hydro plans to recover \$606 million of these expenditures through customer rates, while \$6 million relates to transmission investment in assets assigned to and funded by industrial customers.

⁶ Spending in relation to the Holyrood Thermal Generating station may change given Hydro's responses to Requests for Information IC-NLH-012 and CA-NLH-100 which acknowledge the possibility that generation at this facility be maintained potentially until 2030.

1 estimated to be \$50 million.

2

3 2.2. Submissions

4

5 2.2.1. Newfoundland Power

6

7 Newfoundland Power stated that it did not oppose the approval of any specific capital
8 expenditure proposed in the Application. Newfoundland Power commented on Hydro's capital
9 planning and the degree to which it fosters a complete view of future capital requirements which
10 enables efficient and transparent review processes. Newfoundland Power stated that the volume
11 of supplemental capital budget applications filed by Hydro in recent years and apparent
12 exclusions from its capital plan reduce transparency and impose challenges in assessing the
13 stability and predictability of Hydro's overall capital program.

14

15 Newfoundland Power stated that Hydro has filed 48 supplemental applications over the last five
16 years. Newfoundland Power submitted that this volume of supplemental applications poses
17 challenges in evaluating Hydro's proposals because they are presented outside of the context of
18 Hydro's annual capital budget applications. Newfoundland Power submitted that this creates
19 uncertainty in Hydro's annual capital requirements making it more difficult to judge the stability
20 of Hydro's overall capital program. Newfoundland Power also noted that the supplementary
21 applications limit an intervenor's ability to assess the possible impacts of one proposal on others.
22 Newfoundland Power also submitted that multiple supplementary applications contribute to
23 regulatory inefficiency by necessitating a large number of separate review processes.

24

25 Newfoundland Power also observed that Hydro stated that its capital plan does not include
26 projects to address anticipated load growth in Labrador resulting from customer requests, capital
27 expenditures related to the continued operation of the Holyrood Thermal Generating Station
28 beyond 2024, and potential expenditures associated with the ongoing Reliability and Resource
29 Adequacy Study Review.

30

31 Newfoundland Power submitted that it would be beneficial for Hydro to review its capital
32 planning process with a view to improving the completeness of its annual capital budget
33 applications and capital plans. Newfoundland Power stated that such a review should also
34 consider options to reduce the frequency of supplemental applications where possible to
35 streamline review processes and reduce inefficiencies in the regulatory process.

36

37 2.2.2. Island Industrial Customer Group

38

39 The Island Industrial Customer Group submission addressed the mid-term to long-term planning
40 imperatives that it believes Hydro should be utilizing in its annual capital budget process and,
41 specifically in longer-term planning for the Holyrood Thermal Generating Station. The Island
42 Industrial Customer Group stated that it is unclear what decision-making process will be
43 implemented within the time frame necessary to examine and decide whether the projected
44 Holyrood Thermal Generating Station costs up to 2030 would be prudent and least-cost and what

1 alternatives should be considered. The Island Industrial Customer Group further submitted that
2 the current annual capital budget process and inevitable supplementary applications are not “fit
3 for purpose” to examine these questions.

4
5 The Island Industrial Customer Group acknowledged that some of the issues it raised are the
6 subject of the Reliability and Resource Adequacy Study Review, but noted it is unclear how that
7 review will impact the annual capital budget process. The Island Industrial Customer Group
8 submitted that the Reliability and Resource Adequacy Study Review should move to a decision-
9 making process about the mid-term and long-term measures that should be implemented. The
10 Island Industrial Customer Group further submitted that the present plans for 2026–2030
11 Holyrood Thermal Generating Station expenditures should be the subject of approval by the
12 Board.

13 14 2.2.3. Labrador Interconnected Group

15
16 The Labrador Interconnected Group acknowledged that Hydro needs to upgrade the Wabush
17 Terminal Station and its transformer capacity at the Jean Lake Terminal Station because of
18 increases in the load it serves. They submitted that these upgrades are necessary, at least in part,
19 because Hydro changed its reliability standard or the rating that it applies to the Jean Lake
20 Terminal Station. The Labrador Interconnected Group stated that it did not oppose Hydro’s
21 proposed Capital Budget but requested that the Board not make a final determination about
22 changes in Hydro’s transmission planning criteria practices until the changes could be reviewed.

23 24 2.2.4. Consumer Advocate

25
26 The Consumer Advocate submitted that Hydro has made a concerted effort to manage its
27 spending in light of the elevated inflation environment that electricity consumers are facing and
28 noted that Hydro has held its 2023 capital budget expenditures at levels comparable to those
29 approved by the Board in recent capital budget applications. The Consumer Advocate stated that
30 he did not take issue with the Application but urged the Board to finalize the Guidelines, including
31 a timebound plan obliging the utilities to meet the requirements in a timely manner.

32
33 The Consumer Advocate stated that Hydro does not yet have the capability to meet the
34 requirements set out in the Guidelines as, among other matters, Hydro is not yet able to quantify
35 the impact that the projects will have on reliability nor is Hydro able to adequately quantify the
36 risk of project deferral. The Consumer Advocate noted that Hydro has developed a Capital Risk
37 Rating Matrix that determines risk mitigated per \$1,000,000 spent, but submitted that the matrix
38 requires further development owing to a number of limitations and challenges, including
39 evaluating risk for assets that do not have a direct impact on reliability.⁷ The Consumer Advocate
40 also stated that he is hopeful that a new asset management system will reduce the information
41 asymmetry that the utilities now have over the intervenors and the Board.

⁷ Limitations and challenges relating to Hydro’s Capital Risk Rating Matrix are discussed in PUB-NLH-004.

1 2.2.5. Hydro

2

3 Hydro noted that the intervenors did not oppose the Application and the proposed capital
4 expenditures.

5

6 In response to Newfoundland Power's submission, Hydro provided additional detail on the 48
7 supplemental applications filed within the last five years and stated that all but 11 were related
8 to customer-driven work or were based on unforeseen events. Hydro submitted that this is not
9 an extraordinary number of supplemental capital applications to expect, particularly considering
10 the complexity of its system. Hydro also stated that its five-year plans are revised considering
11 evolving asset management practices, asset condition, operational and system requirements, as
12 well as operating environment factors and submitted that as information becomes available,
13 wherever possible, it will update its plan to ensure as much transparency as possible for the
14 Board and intervenors.

15

16 With respect to the submission of the Island Industrial Customer Group, Hydro submitted that all
17 2023 Holyrood Thermal Generating Station projects are fully justified based on its determination
18 to operate the Holyrood Thermal Generating Station until March 31, 2024. Hydro stated that the
19 Board will review the extension of the operation of the Holyrood Thermal Generating Station
20 beyond March 31, 2024, as well as the need for new generation in the ongoing Reliability and
21 Resource Adequacy Study Review and that proceeding or the capital budget application process
22 will afford ample opportunity for regulatory scrutiny by the Board and intervenors.

23

24 Hydro noted that the Labrador Interconnected Group did not oppose Hydro's proposed capital
25 budget, including the proposed upgrades to the Wabush Terminal Station and transformer
26 capacity at the Jean Lake Terminal Station. Hydro submitted that the Board does not need to
27 review Hydro's planning practices independently from the projects and programs proposed as
28 the Board is able to review the analysis of capital expenditures, including the impact of the
29 planning criteria, as they are filed for approval.

30

31 With respect to the Consumer Advocate's assertion that Hydro does not yet have the capability
32 to meet the requirements set out in the Guidelines, Hydro stated that it has strived to meet the
33 burden of proof prescribed in the Guidelines based on the data available and has endeavoured
34 to meet the spirit and intent of the Guidelines where full adherence is not yet possible.

35

36

37 **3. BOARD DECISIONS**

38

39 In considering the Application, the Board must assess whether approval of the proposals is
40 consistent with the statutory obligations imposed on the Board and Hydro.⁸ In particular section
41 3(b) of the **EPCA** requires a public utility to manage and operate its facilities for the efficient
42 production, transmission and distribution of power in a manner that would result in consumers

⁸ Sections 37 and 54 of the **Act** and sections 3 and 4 of the **EPCA**.

1 in the province having equitable access to an adequate supply of power at the lowest possible
2 cost consistent with reliable service. In making its determinations, the Board balances the
3 interests of customers and the utility to ensure reasonable levels of capital spending that provide
4 for least-cost reliable and safe service. The Guidelines state:

5
6 The Board considers the interests of both customers and utilities in determining whether
7 proposed capital expenditures should be approved. Appropriate capital spending is in the
8 interest of both customers and utilities as customers benefit from a utility which is well
9 positioned to provide safe, reliable and adequate service and utilities benefit when the
10 rates to be paid by customers are reasonable and just. Cost, performance and risk are
11 among the factors considered by the Board in determining whether capital expenditures
12 are appropriate and necessary to ensure the delivery of power to customers at the lowest
13 possible cost consistent with reliable service.⁹

14
15 The burden of proof is on the utility to provide sufficient evidence to justify its capital budget
16 application proposals. The Board has reviewed the Application and supporting materials, the
17 responses to the Requests for Information and the parties' submissions. The Board's
18 determinations in relation to the proposed capital expenditures, Hydro's 2023 Capital Budget,
19 other issues raised by the Intervenors and its 2021 average rate base are set out below.

20 21 3.1. Proposed Capital Expenditures

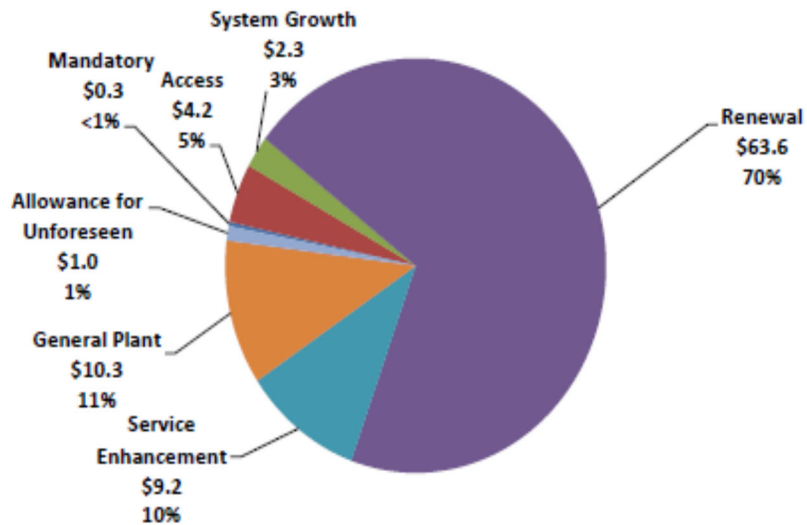
22
23 Pursuant to section 41(3) of the **Act** Hydro provided evidence in support of programs and projects
24 with expenditures in excess of \$50,000. The evidence included program or project descriptions,
25 justifications, expenditures, costing methodologies and future commitments. Hydro also
26 provided engineering and technical reports as appropriate and provided additional details in
27 responses to Requests for Information filed by the Board and the Intervenors in this proceeding.

28
29 The following chart shows the breakdown of Hydro's proposed 2023 capital expenditures of
30 \$90,828,700 by investment classification.¹⁰

⁹ Guidelines, pages 1–2.

¹⁰ Application, Schedule 1, 2023 Capital Budget Overview, page 23, Chart 15.

Hydro 2023 Capital Budget Proposal by Investment Classification



1 The Board's findings with respect to the proposed expenditures in each investment classification
2 are discussed below.

3 4 3.1.1. Mandatory

5
6 Hydro proposes one mandatory project with expenditures of \$323,300 in 2023 and \$594,100 in
7 2024. The Replace Terminal Station Lighting (2023–2024) project involves the replacement of
8 eight terminal station lighting systems which contain polychlorinated biphenyls.¹¹ Hydro states
9 that replacing lighting systems at the eight selected terminal stations will ensure compliance with
10 federal regulations respecting the removal of polychlorinated biphenyls. Hydro also notes that
11 these lighting systems are original to the stations and nearing the end of their service lives and
12 efficient LED lighting will provide adequate illumination for safe working environments at these
13 stations.

14
15 As set out in the Guidelines, programs and projects classified as mandatory investments are those
16 prescribed by a governing body such as the provincial government, the federal government or
17 the Board. Hydro's proposal to replace light fixtures in eight of its terminal stations with current,
18 environmentally appropriate technology is required to comply with federal regulations. The
19 Intervenors did not oppose the proposed expenditures and did not provide any specific
20 comments on these expenditures. The Board finds that Hydro's proposed expenditures to replace
21 terminal station lighting are required to enable Hydro to meet its obligation to comply with
22 federal regulations.

¹¹ The terminal stations are the Bay d'Espoir 69 kV Switchyard, Bay d'Espoir Terminal Station 2, Bottom Brook Terminal Station 1, the Grand Falls Terminal Station, the Happy Valley Terminal Station, the Massey Drive Terminal Station, the Stephenville Terminal Station, and the Sunnyside Terminal Station.

1 3.1.2. Access

2

3 Capital expenditures for investment in access account for 5% of Hydro's 2023 capital
4 expenditures, totalling \$4,190,600. Hydro proposes one project and one program for 2023 in the
5 access investment category.

6

7 The Provide Service Extensions (2023) program provides an annual allotment for new service
8 connections and street lights based on past expenditures and forecasted activity within the
9 Central, Northern, and Labrador regions with a proposed expenditure of \$3,964,000. This
10 program enables Hydro to interconnect new customers to the local distribution service system
11 in accordance with its statutory obligations.

12

13 The Purchase Meters and Metering Equipment (2023) project is part of Hydro's overall meter
14 replacement strategy. Hydro proposes expenditures of \$226,600 to purchase meters and
15 metering equipment for wholesale and industrial customers, as well as metering cabinets for
16 transformer-rated meters to facilitate the provision of reliable and accurate revenue metering
17 and ensure compliance with the **Electricity and Gas Inspection Act** and **Electricity and Gas**
18 **Inspection Regulations**.¹² Hydro states that the meters it plans to purchase will enable it to
19 record energy and power consumption by its customers accurately.

20

21 As set out in the Guidelines, projects and programs classified as investments in access are those
22 required to meet Hydro's obligation to provide customers with access to electricity services. The
23 Board is satisfied that Hydro's service extension expenditures are necessary to address Hydro's
24 obligation to interconnect new customers and the metering equipment project will allow for the
25 provision of reliable and accurate metering in compliance with federal regulations. The proposed
26 \$4.2 million investment in access is lower than Hydro's \$5.8 million five-year average investment
27 in this category. The Intervenor did not oppose the proposed investments in access and did not
28 provide any specific comments on these expenditures. The Board finds that Hydro's proposed
29 expenditures for access investments are required to enable Hydro to meet its obligation to
30 provide customers with access to electricity services.

31

32 3.1.3. General Plant

33

34 Hydro proposes general plant expenditures of \$10,271,800 in 2023. These proposed
35 expenditures account for 11% of Hydro's proposed 2023 capital expenditures. The proposed
36 general plant expenditures include single year project and program spending of \$3,356,900 and
37 \$2,779,200 on multi-year projects and programs that will start in 2023,¹³ as well as \$4,135,700

¹² RSC 1985, c. E-4 and SOR/86-131 respectively.

¹³ The multi-year general plant projects and programs that Hydro will start in 2023 require additional spending of \$8,640,000 in 2024 and \$1,363,200 in 2025.

1 associated with multi-year projects or programs approved in prior capital budget applications.
 2 The proposed new expenditures cover twenty-three projects and programs.¹⁴

- 3 • Replace Building Exterior (2023–2024)—Postville with expenditures of \$124,600 in 2023
 4 and \$558,700 in 2024 to address leaks caused by rust perforation.
- 5 • Install Fire Protection in 230 kV Stations (2023–2024)—Deer Lake with expenditures of
 6 \$79,200 in 2023 and \$535,300 in 2024 to protect the control cabinets, cables and other
 7 critical equipment.
- 8 • Water System Condition Assessment and Upgrades (2023)—Bay d’Espoir with
 9 expenditures of \$161,000 in 2023 and \$504,900 in 2024 to assess the condition and the
 10 need to upgrade the water system that serves the Bay d’Espoir facilities.
- 11 • Refurbish BioGreen Sewage System (2023)—Holyrood with an expenditure of \$256,600
 12 to update the system that will be needed to treat domestic waste water at the Holyrood
 13 Thermal Generating Station after it is converted to synchronous condenser service.
- 14 • Two programs that address the replacement of light-duty and heavy-duty motor vehicles
 15 and mobile equipment used to access off-road work sites.¹⁵
- 16 • Six projects to purchase tools and equipment.¹⁶
- 17 • Eight programs and projects to upgrade information technology, operational technology,
 18 and communications assets.¹⁷
- 19 • Three projects to upgrade or renew real property assets at the Bishop’s Falls facilities.¹⁸
 20

21 As set out in the Guidelines, programs and projects classified as investments in general plant are
 22 investments in assets that are not part of the generation, transmission, and distribution systems
 23 used by a utility to support its daily business and operational activities. Hydro’s proposed 2023
 24 general plant expenditures of \$10.3 million are lower than its five-year average expenditure of
 25 \$11.2 million. The Intervenor did not oppose the proposed general plant expenditures and did
 26 not provide any specific comments on these expenditures. The Board is satisfied that the

¹⁴ General plant expenditures also include expenditures under \$50,000 for three projects to acquire or replace office equipment and tools and equipment which do not require prior approval under section 41(3) the **Act**. The expenditures for these three projects total \$103,900.

¹⁵ The Replace Light-Duty and Heavy-Duty Vehicles (2023–2025) has proposed expenditures of \$1,308,100 in 2023, \$2,584,600 in 2024 and \$473,300 in 2025. The Replace Mobile Equipment (2023–2024) has proposed expenditures of \$541,200 in 2023 and \$187,300 in 2024.

¹⁶ Purchase Office Equipment Less Than \$50,000 (2023)— \$75,600; Purchase Tools and Equipment Less than \$50,000 (2023)— Central Region— \$281,400; Purchase Tools and Equipment Less than \$50,000 (2023)— Hydraulic Plants— \$144,900; Purchase Tools and Equipment Less than \$50,000 (2023)— Labrador Region—\$372,300; Purchase Tools and Equipment Less than \$50,000 (2023)— Northern Region— \$355,200; and Purchase Tools and Equipment Less than \$50,000 (2023)— Thermal Plants— \$55,100.

¹⁷ The programs and projects include Perform Software Upgrades and Minor Enhancements (2023)—\$451,200, Purchase Personal Computers (2023)—\$221,600, Replace Network Communications Equipment (2023)—\$189,000, Replace Peripheral Infrastructure (2023)—\$187,400, Update Cyber Security Infrastructure (2023)—\$232,100, Upgrade Core Operational Technology Infrastructure (2023)—\$171,700, Purchase Mobile Devices (2023)—\$83,400, and Replace Standalone PBX Phone Systems (2023)—\$175,500.

¹⁸ The projects include Replace Diesel Shop Building (2023–2025) with proposed expenditures of \$168,000 in 2023, \$1,254,100 in 2024 and \$889,900 in 2025; Replace HVAC System (2023–2024) with proposed expenditures of \$43,400 in 2023 and \$128,800 in 2024; and Upgrade Water and Fire Suppression Systems (2023–2024)—\$353,700 in 2023 and \$2,886,300 in 2024.

1 proposed general plant expenditures are necessary to maintain and upgrade assets in support of
 2 Hydro's operations and that they appropriately balance cost and system reliability. The Board
 3 finds that Hydro's proposed general plant expenditures are justified, appropriate and necessary
 4 to ensure the delivery of power to its customers at the lowest possible cost consistent with
 5 reliable service.

6 7 3.1.4. Renewal

8
9 The proposed renewal expenditures of \$63,568,700 account for 70% of Hydro's proposed 2023
 10 capital expenditures.¹⁹ These expenditures include single year spending of \$31,384,200 and
 11 multi-year spending of \$5,152,500 for projects and programs that will start in 2023,²⁰ as well as
 12 \$27,032,000 associated with multi-year projects or programs approved in prior capital budget
 13 applications.

14
15 Hydro proposes thirty-two renewal projects and programs which include expenditures for
 16 condition assessments, equipment overhauls, asset replacement, asset renewal, and in-service
 17 failures.

- 18 • Condition assessments—Expenditures of \$6,925,700 in 2023 are proposed for two
 19 programs and two projects to assess the condition of certain assets.²¹ Hydro states that
 20 condition assessments maintain reliability by discovering damaged or deteriorated
 21 components that are at risk of failure. Hydro also states that these assessments help it
 22 identify refurbishment requirements and alternatives and also support the establishment
 23 of optimal timing of overhauls and targeted refurbishment. Hydro notes that the Board
 24 has previously accepted that its approach to managing its wood pole line assets is justified
 25 and prudent.²² Hydro states that early detection of deteriorating components avoids
 26 issues with system reliability, increased failure costs and service interruptions.
- 27 • Overhauls—Expenditures of \$12,921,900 are proposed for four programs to overhaul
 28 equipment.²³ These programs involve expenditures on routine maintenance and
 29 overhauls that keep Hydro's equipment in reliable operating condition. Hydro states that
 30 the overhaul cycles it has established are appropriate given observations made during

¹⁹ Renewal expenditures include one project with a proposed expenditure of \$45,200 to upgrade site facilities that does not require prior approval under section 41(3) of the Act.

²⁰ The multi-year renewal projects and programs that Hydro will start in 2023 require additional spending of \$19,879,000 in 2024 and \$223,400 in 2025.

²¹ The following projects have proposed expenditures totalling \$7,441,800 (\$6,925,700 in 2023 and \$516,100 in 2024): the Boiler Condition Assessment and Miscellaneous Upgrades (2023)—Holyrood program has proposed expenditures of \$2,926,600; the Major Condition Assessment and Miscellaneous Refurbishments Synchronous Condenser 1 & 2 (2023–2024)—Wabush Terminal Station project has proposed expenditures of \$577,200 in 2023 and \$516,100 in 2024; the Unit 7 Condition Assessment (2023)—Bay d'Espoir project has proposed expenditures of \$597,500 in 2023; and the Wood Pole Line Management Program (2023) program has proposed expenditures of \$2,824,400 in 2023.

²² In 2004 the Board determined that this approach was justified and prudent in Order No. P.U. 53(2004).

²³ The overhaul programs include Hydraulic Unit Overhauls Program (2023)—\$975,700, Overhaul Diesel Units (2023)—\$1,502,000, Overhaul Pumps (2023)—Holyrood \$742,400, and Overhaul Unit 2 Turbine and Valves (2023)—Holyrood—\$9,701,800.

1 previous overhauls, time in service, and equipment age. Hydro states that the overhaul
 2 cycles are consistent with the original equipment manufacturer’s recommendations and
 3 generally follow a usage-based schedule.

- 4 • Asset replacement—There are four single year and eight multi-year projects and
 5 programs with expenditures of \$2,479,000 in 2023 and \$3,883,800 in 2024 to renew or
 6 replace assets that have reached the end of their service life or have become obsolete.²⁴
 7 The replacement of these assets is based on concerns about performance, reliability, and
 8 physical condition, as well as the availability of support from the manufacturer. Hydro
 9 states that keeping these assets in service poses risks to system reliability because they
 10 may fail without warning. Hydro also notes that many of these assets cannot be repaired
 11 because spare parts are no longer available for them.
- 12 • Asset renewal—Expenditures of \$3,098,000 in 2023 are proposed for four multi-year
 13 programs to renew or replace circuit breakers, diesel gensets and terminal stations.²⁵
 14 Hydro states that the continued operation of the assets within the scope of these four
 15 programs without refurbishment or replacement would jeopardize the reliability of the
 16 electrical system or put the safety of the public at risk or endanger those who operate the
 17 system.
- 18 • In-service failures—Expenditures of \$7,076,300 are proposed for seven programs to
 19 address in-service failures.²⁶ These expenditures would permit Hydro to conduct
 20 proactive asset management activities to identify, replace, repair, or refurbish equipment
 21 and minimize disruptions of service and avoid unsafe working conditions due to
 22 equipment failure. The in-service failures programs address circumstances which require
 23 Hydro to refurbish or replace equipment immediately because it has failed, is about to
 24 fail or has deteriorated more quickly than anticipated. The work is identified through
 25 preventive maintenance programs using various condition-based assessments and testing
 26 procedures. The proposed expenditures are based on the age and service history of the
 27 equipment and a five-year history of spending for in-service failures, adjusted for current
 28 labour and material costs. Hydro states that deferring these expenditures could result in
 29 detrimental impacts to customer power supply or unacceptable risk to worker or public
 30 safety.

²⁴ Install Breaker Failure Protection (2023–2024)—Sunnyside, Replace Circuit Breaker Reclosing Controllers (2023–2024)—Hardwoods, Replace Data Alarm System Annunciators (2023–2024)—Buchans, Replace Diesel Genset 1 (2023–2024)—Ebbegunbaeg, Replace Intermediate Fuel Storage Tanks (2023–2024)—Nain, Replace Oil Mist Separator (2023–2024)—Happy Valley Gas Turbine, Replace Power Line Carrier (2023–2024)—TL223 and TL224, Replace Powerhouse Station Service Panel (2023–2024)—Upper Salmon, Upgrade Remote Terminal Units (2023), Replace Human-Machine Interface (2023)—Happy Valley Gas Turbine, Replace 48 V Battery Banks and Chargers (2023), and Refurbish Workshop Roof (2023)—Holyrood.

²⁵ Refurbish Superstructure (2023–2024)—Salmon River Spillway Circuit Breakers Renewal Program (2023–2024), Diesel Genset Replacement Program (2023–2025), and Terminal Station Renewal Program (2023–2024) programs involve expenditures of \$18,801,000: \$3,098,000 in 2023, \$15,479,100 in 2024 and \$223,400 in 2025.

²⁶ The in-service failure programs include Distribution System In-Service Failures, Miscellaneous Upgrades, and Street Lights (2023), Hydraulic In-Service Failures (2023), Terminal Station In-Service Failures (2023), Thermal In-Service Failures (2023), Gas Turbine In-Service Failures (2023), Diesel In-Service Failures (2023), and Transmission In-Service Failures (2023).

1 As set out in the Guidelines, renewal investments are those which are required to replace or
2 refurbish system assets to maintain the ability to provide customers with their current electricity
3 services. Appropriate investment in renewal allows aging or deteriorating assets to be replaced,
4 updated or refurbished before they fail. The Board notes that the proposed 2023 renewal
5 expenditures of \$63.6 million are lower than the five-year average expenditures of \$89.6 million.
6 Further the expenditures are primarily associated with the routine assessment, replacement,
7 update and refurbishment of failed, obsolete and aging assets. The Intervenor did not oppose
8 the proposed renewal expenditures and did not offer any specific comments on the renewal
9 projects or programs. The Board is satisfied that approval of Hydro's proposed capital
10 expenditures for renewal would allow Hydro to replace or refurbish system assets where
11 necessary to enable it to continue to provide customers with reliable electric service. The Board
12 accepts that the proposed expenditures appropriately balance the need for Hydro to maintain its
13 system in reliable working order while minimizing the costs to be funded by its customers. The
14 Board finds that Hydro's proposed renewal expenditures are justified, appropriate and necessary
15 to ensure the delivery of power to its customers at the lowest possible cost consistent with
16 reliable service.

17

18 3.1.5. Service Enhancement

19

20 Hydro proposes new service enhancement expenditures of \$680,300 for single year programs
21 and projects in 2023 and \$228,500 on multi-year projects and programs that will start in 2023,²⁷
22 as well as \$8,301,300 associated with multi-year projects or programs approved in prior capital
23 budget applications. These expenditures account for 10% of Hydro's 2023 capital expenditures,
24 totalling \$9,210,100. Hydro proposes two new projects and two new programs as well as the
25 continuation of five previously approved programs and projects in the service enhancement
26 investment classification.

27

28 Hydro proposes a single year program to remove safety hazards and a single year project to
29 upgrade public safety around its dams and waterways.²⁸ The Remove Safety Hazards (2023)
30 program allows Hydro to address safety hazards that cannot wait until Hydro's next capital
31 budget application. The Upgrade Public Safety Around Dams and Waterways (2023) project
32 involves work to install public safety control measures at water control structures in the Bay
33 d'Espoir, Burnt and Victoria, Granite, Meelpaeg, and Roddickton reservoirs. This work is part of
34 Hydro's ongoing efforts to comply with the Canadian Dam Association guidelines and enhance
35 public safety around its dams and waterways.

36

37 Hydro proposes one multi-year program and one multi-year project to start in 2023. The Install
38 Oil Spill Containment Transformer T1S (2023–2024)—Cat Arm project covers work to install a
39 secondary oil containment system for a spare transformer located at Hydro's Cat Arm

²⁷ The multi-year service enhancement projects and programs that Hydro will start in 2023 require additional spending of \$1,799,100 in 2024.

²⁸ The Remove Safety Hazards (2023) program involves expenditures of \$198,200 and the Upgrade Public Safety Around Dams and Waterways (2023) project involves expenditures of \$482,100.

1 Hydroelectric Generating Station. The transformer contains 26,000 litres of oil and is located
2 approximately 50 metres from the Atlantic Ocean.²⁹ The Cat Arm Hydroelectric Generating
3 Station is not staffed 24/7 and Hydro does not maintain access to it during the winter months.
4 This restricts Hydro's ability to promptly and effectively respond to an accidental oil release. The
5 Worst-Performing Distribution Feeders (2023–2024) program involves work to refurbish a
6 distribution feeder located in the Farewell Head Distribution System, which has been prioritized
7 through the examination of reliability performance data and confirmed as requiring upgrades to
8 the existing infrastructure based on recent condition assessments.³⁰ The scope of this program is
9 required to improve the reliability of the Farewell Head Line 1 feeder, as well as the overall
10 performance of the Farewell Head Distribution System.

11
12 As set out in the Guidelines, programs and projects classified as investments in service
13 enhancement are those which modify Hydro's system to meet operational requirements more
14 efficiently or effectively, including those which improve safety or environmental compliance. The
15 proposed service enhancement expenditures involve year over year projects associated with
16 safety, environmental protection and poorly performing feeders. The proposed expenditures of
17 \$9.2 million are higher than the five-year average service enhancement expenditures of
18 \$5.2 million, primarily as the result of previously approved 2023 expenditures in the amount of
19 \$4,365,600 for Hydro to replace its metering system.³¹ The Intervenor did not oppose the service
20 enhancement expenditures and did not provide any specific comments on these expenditures.
21 The Board is satisfied that Hydro's proposed service enhancement expenditures are intended to
22 address operational efficiency, safety issues, or environmental compliance. The Board finds that
23 Hydro's proposed service enhancement expenditures are justified, appropriate and necessary to
24 ensure the delivery of power to its customers at the lowest possible cost consistent with reliable
25 service.

26 27 3.1.6. System Growth

28
29 Hydro's proposed system growth expenditures are \$2,264,200 in 2023 which includes \$1,684,200
30 associated with multi-year projects or programs approved in prior capital budget applications.
31 These expenditures account for 3% of the 2023 capital expenditures. Hydro proposes one new
32 multi-year project and the continuation of two previously approved projects in the system
33 growth investment class.

34
35 The Additions for Load Growth—Upgrade Transformer Capacity (2023–2024)—Jean Lake
36 Terminal Station project continues the work that was initially approved in 2021.³² Hydro proposes
37 expenditures of \$580,000 in 2023 and \$5,436,100 in 2024 to replace two transformers with a

²⁹ The Install Oil Spill Containment Transformer T1S (2023–2024)—Cat Arm project has proposed expenditures of \$155,100 in 2023 and \$426,500 in 2024.

³⁰ The Upgrade of Worst-Performing Distribution Feeders (2023–2024) program has proposed expenditures of \$73,400 in 2023 and \$1,372,600 in 2024.

³¹ Order P.U. 37(2021).

³² This work was approved in Order P.U. 2(2021). The Jean Lake Terminal Station was referred to the Wabush Substation in the Order.

1 single transformer which has sufficient capacity to accommodate forecasted load growth. Hydro
2 states that it has not identified viable alternatives to provide sufficient firm capacity to meet load
3 growth in the region. Hydro also states that if the largest transformer at Jean Lake were to fail
4 under peak load conditions, there would be reliability impacts to customers.
5

6 As set out in the Guidelines, system growth expenditures are investments modifying a utility's
7 system to meet forecast changes in customer electricity resource requirements. The Board is
8 satisfied that increased transformer capacity is required at the Jean Lake Terminal Station due to
9 accelerated load growth in Wabush to provide for an adequate supply of power to the Town of
10 Wabush should the largest transformer at the terminal station fail. The proposed 2023 system
11 growth expenditures of \$2.3 million are lower than the five-year average of \$9.5 million. The
12 Intervenors did not oppose the proposed system growth expenditures and did not provide any
13 specific comments on these expenditures. The Board is satisfied that Hydro's proposed system
14 growth expenditures are required to meet forecast changes in customer electricity requirements.
15 The Board finds that Hydro's proposed system growth expenditures are justified, appropriate and
16 necessary to ensure the delivery of power to its customers at the lowest possible cost consistent
17 with reliable service.
18

19 3.1.7. Allowance for Unforeseen Items 20

21 Hydro proposes a \$1,000,000 Allowance for Unforeseen Items in 2023. This allowance will permit
22 Hydro to proceed with unbudgeted capital expenditures so that it can respond expeditiously to
23 events affecting the electrical system. This allowance is consistent with the amount approved in
24 Hydro's previous capital budget applications and accounts for 1% of its 2023 Capital Budget. The
25 Intervenors did not oppose the proposed Allowance for Unforeseen Items. The Board finds that
26 Hydro's proposed Allowance for Unforeseen Items facilitates Hydro providing least-cost reliable
27 and safe service to its customers by enabling it to respond expeditiously to unexpected events
28 that may adversely affect the electrical system.
29

30 3.2. Proposed 2023 Capital Budget 31

32 The Application requests the Board's approval of Hydro's 2023 Capital Budget in the amount of
33 \$90,828,700.
34

35 The Application explained that Hydro continues to take deliberate actions to lower the level of
36 investment proposed in its 2023 Capital Budget Application, as compared to prior years.³³ Hydro
37 realigned some projects based on the condition of the assets which enabled adjustments to
38 project execution time frames and, in some cases, later completion dates. Hydro states that this
39 has resulted in a better balancing of capital investment with customer expectations for cost
40 management and reliability. Hydro reviewed previously approved multi-year projects to identify
41 opportunities for budget refinement and, as a result, multi-year programs or projects with

³³ 2023 Capital Budget Overview, page 2, lines 1 to 3.

1 expenditures in 2023 were reduced by \$4.7 million.³⁴ In its submission Hydro further explained
2 that in preparing its 2023 capital budget application it took deliberate action to ensure its
3 proposals reflect a level of investment that appropriately balances reliability and cost concerns,
4 particularly in light of increasing rate pressures and other planned 2023 capital work. Hydro also
5 explained that it evaluated all ongoing projects to determine whether deferral was an option
6 resulting in deferral of other capital projects totalling approximately \$6.0 million.³⁵ According to
7 Hydro the capital work which it seeks to have approved in its 2023 capital budget is necessary to
8 ensure that it can continue to provide service that is reasonably safe and adequate and just and
9 reasonable as required by section 37 of the **Act**.

10
11 The proposed 2023 expenditures in excess of \$50,000 for improvements and additions which
12 make up Hydro's proposed 2023 Capital Budget have been reviewed by the Board and found to
13 be reasonable and justified as previously discussed in these reasons. While Hydro's 2023 Capital
14 Budget is higher than its proposed 2022 Capital Budget of \$84,163,400, it is lower than the five-
15 year average of \$121 million. The Board notes that the Intervenor did not oppose the approval
16 of Hydro's 2023 Capital Budget. In addition the Consumer Advocate commented on Hydro's
17 efforts to manage spending in light of the elevated inflation environment and that Hydro held its
18 2023 Capital Budget to levels comparable to those approved in recent years. The Board
19 acknowledges Hydro's efforts to balance reliability and costs through the review, realignment
20 and deferral of its capital projects. The Board is satisfied that Hydro's proposed 2023 Capital
21 Budget represents a reasonable balance of costs and reliability. The Board finds that the
22 proposed 2023 Capital Budget in the amount of \$90,828,700 is justified, reasonable and
23 necessary to ensure the delivery of power to customers at the lowest possible cost consistent
24 with reliable service.

25 26 3.3. Other Issues

27
28 The Board notes that while the Intervenor did not raise issues specific to any of the Application
29 proposals, they commented on a number of other issues, including the future of the Holyrood
30 Thermal Generating Station, Hydro's capital planning process, and Hydro's Labrador planning
31 criteria. The issues raised with respect to these matters are discussed in the following sections.

32 33 3.3.1. Holyrood Thermal Generating Station

34
35 The Board shares the concerns expressed by the Island Industrial Customer Group as to
36 appropriate and timely oversight of capital expenditures associated with the potential extension
37 of generation operations at the Holyrood Thermal Generating Station. The Board notes however
38 that the proposed Holyrood Thermal Generating Station capital expenditures included in Hydro's
39 2023 Capital Budget are based on the continued operation of this plant as a generating facility

³⁴ Hydro states that \$4.6 million of this reduction has been reforecast to 2024 in the Additions for Load—Wabush Substation Upgrades project which originally scheduled for completion in 2023 and the Replace Metering System scheduled for completion in 2024. The remainder has been eliminated from its budget.

³⁵ The deferred expenditures are outlined in the 2023 Capital Budget Overview Table 4, at page 17.

1 until March 31, 2024 and continued operation thereafter as a synchronous condenser. As a result
2 it is not necessary in this proceeding to address potential future capital costs which may be
3 associated with extension beyond this date.

4
5 The Board notes that the extension of generation operations at the Holyrood Thermal Generating
6 Station to 2030 would represent a significant change in the planned operations of this facility and
7 may, according to Hydro, involve substantial capital expenditures. Given the significance of this
8 potential change it is critical that future capital proposals are subjected to appropriate and timely
9 regulatory review with full consideration of reasonable alternatives to ensure the proposals are
10 consistent with the provision of least-cost service. Hydro is obliged to ensure that proposals in its
11 2024 Capital Budget Application relating to the Holyrood Thermal Generating Station are fully
12 supported in the context of short-term and long-term plans for the facility. This would include
13 evidence demonstrating appropriate planning and consideration of all available alternatives and
14 the associated costs. The capital expenditure proposals in 2024 must be shown to be reasonable
15 and necessary and must include full explanations of the planned approaches and reasonable
16 alternatives. While Hydro is required to file a report in relation to the Holyrood Thermal
17 Generating Station as part of its annual capital budget application, the Board believes that a more
18 comprehensive report should be filed in 2024. This report should address the planned operation
19 of the facility until the later of March 31, 2030 or the anticipated conclusion of generation
20 operations at the facility. It should also include a full discussion and analysis of reasonable
21 alternative approaches and the associated capital costs over the full period.

22

23 3.3.2. Capital Planning Process

24

25 Newfoundland Power expressed concerns in relation to Hydro's capital planning process and in
26 particular the transparency of Hydro's capital planning and the number of supplemental capital
27 applications which Hydro has filed in recent years.

28

29 While the Board accepts that most of the supplemental capital budget applications Hydro has
30 filed in the last five years were customer driven or were based on unforeseen events, there were
31 applications which did not fall into these categories. The Board acknowledges that the
32 uncertainties as to the operation of the Labrador Island Link and the future operations of the
33 Holyrood Thermal Generating Station create challenges for capital planning. Nevertheless,
34 transparent capital planning requires Hydro to address these uncertainties and their potential
35 impact on its capital spending. The Board believes that Hydro can make further improvements in
36 its capital planning process to increase transparency and perhaps reduce the number of
37 supplemental capital applications. While the Board will not order Hydro to undertake a review
38 its capital planning processes, the Board expects that Hydro will conduct its own review and
39 ensure that transparency is enhanced in its next annual capital budget application and that
40 measures are taken to reduce the number of supplemental capital budget applications.

1 3.3.3. Labrador Planning Criteria

2
3 The Labrador Interconnected Group asked that the Board not make a final determination as to
4 changes in Hydro's transmission planning criteria practices until the changes are reviewed. The
5 Board confirms that it is not necessary to make a final determination as to Hydro's planning
6 practices at this time.

7
8 3.4. Average Rate Base

9
10 The Application requested that the Board fix and determine Hydro's 2021 average rate base in
11 the amount of \$2,321,756,000.

**Computation of Average Rate Base
for the Year Ended December 31, 2021
(\$000s)**

	2021
Total Capital Assets	2,175,272
Deduct Items Excluded from Rate Base	
Work in Progress	(9,164)
Asset Retirement Obligations (net of amortization)	(352)
Net Capital Assets	2,165,756
Net Capital Assets, Previous Year	2,132,758
Unadjusted Average Capital Assets	2,149,257
Deduct	
Average Net Capital Assets Excluded from Rate Base	(8,154)
Average Capital Assets	2,141,103
Cash Working Capital Allowance	122
Fuel Inventory	55,803
Supplies Inventory	38,326
Average Deferred Charges	86,402
Average Rate Base at Year-End	\$2,321,756

12 Grant Thornton reviewed Hydro's proposed average rate base for 2021 and concluded that the
13 proposed 2021 average rate base accords with established practice and relevant Board Orders.
14 In its report, Grant Thornton noted the findings of the Board in Order No. P.U. 34(2021) that the
15 use of the Allowance for Unforeseen Items for expenditures relating to the Holyrood Unit 3 Boiler
16 Tube Failure project would be addressed following the filing of the final report for this project,
17 and that the inclusion of these expenditures in rate base would be addressed in the 2021 rate

1 base application.³⁶ Hydro filed its report on the Unit 3 Boiler Tube Failure project on December
2 21, 2021 and has included these expenditures in the 2021 average rate base.³⁷

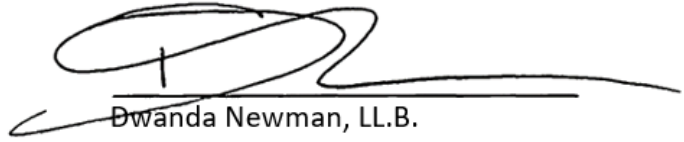
3

4 The Intervenors did not comment on Hydro's proposed 2021 average rate base or the
5 appropriateness of the use of the Allowance for Unforeseen Items for expenditures relating to
6 the Holyrood Unit 3 Boiler Tube Failure project. The Board has reviewed the final report related
7 to the Holyrood Unit 3 Boiler Tube Failure project and is satisfied that it is appropriate for the
8 associated expenditures to be included in Hydro's 2021 average rate base. The Board fixes and
9 determines Hydro's average rate base for 2021 in the amount of \$2,321,756,000.

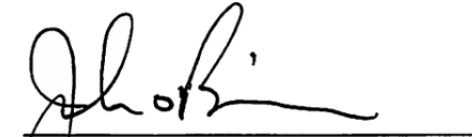
³⁶ The Board made the same finding with respect to the Holyrood Unit 2 Transformer project but the expenditures associated with this project are not included in Hydro's proposed 2021 average rate base as it did not enter service until 2022.

³⁷ 2023 Capital Budget Application, Schedule 5, 2021 Average Rate Base.


DATED at St. John's, Newfoundland and Labrador this 15th day of March 2023.




Dwanda Newman, LL.B.
Vice-Chair



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Cheryl Blundon
Board Secretary