

1 Q. Has Hydro given consideration to how possible outcomes of the rate mitigation reference might  
2 affect the 2020 Capital Budget? If so, please elaborate. If not, please explain the rationale for  
3 not doing so.

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6 A. Newfoundland and Labrador Hydro's ("Hydro") 2020 Capital Budget Application preparation  
7 commenced in the fall of 2018 with a focus on delivering safe, reliable, least-cost electricity.  
8 Generally, Hydro expects that any outcomes from the rate mitigation reference will have longer  
9 term effects that will be considered and incorporated in its future capital plans and applications  
10 if necessary.

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12 In recognition of the rate pressures in the province at this time, Hydro adjusted the time frames  
13 for a portion of capital projects to balance capital investment with customer expectations for  
14 cost management and reliability. As a result of this effort, which commenced in 2018, over the  
15 last two capital budget cycles Hydro has decreased its planned five-year capital expenditure by  
16 34% or approximately \$250 million.<sup>1</sup> Although Hydro does not expect to be able to maintain this  
17 magnitude of decrease in successive budget cycles; Hydro intends to maintain or continue to  
18 decrease its current proposed level of investment, where possible. Hydro is cognizant of the  
19 necessity of appropriate capital spending and will closely monitor the effects of this reduced  
20 plan, while monitoring asset condition and reliability. Hydro will take prudent steps to adjust  
21 capital in subsequent years to reflect any outcomes of the rate mitigation reference should it be  
22 required.

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<sup>1</sup> Reflects Board approved capital amounts for the year requested and budgeted supplemental amounts, less growth projects (e.g., TL 266, TL 267, and the Muskrat Falls to Happy Valley Interconnection project). Supplemental totals are net of Contribution in Aid of Construction amounts.