

1 Q. **Reference: Application, 2026 Capital Budget Overview, page 2**

2 It is stated *“Hydro also continues to refine its budgeting and integrated planning processes to*  
3 *support the efficient execution of its capital plans.”*

4 a) How has Hydro refined its budgeting and integrated planning processes in its 2026 CBA?

5 b) How has Hydro incorporated transmission in its integrated planning process? In the  
6 planning process, can transmission be an alternative to generation?

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9 A. a) Newfoundland and Labrador Hydro (“Hydro”) strives to refine its budgeting and integrated  
10 planning processes to advance estimate accuracy and ensure appropriate allocation of  
11 resources.

12 To improve the quality of its estimates for its 2026 Capital Budget Application (“CBA”),  
13 Hydro engaged a dedicated financial resource to review least-cost evaluations and estimates  
14 initially developed by engineering to ensure that interest, escalation, and other assumptions  
15 were reasonable. Resource requirements within each estimate were reviewed to confirm  
16 that labour assumptions were adequate within Hydro’s overall annual work and outage  
17 plans.

18 These tasks were previously completed by the engineering staff developing the estimates.  
19 Having dedicated resources for these functions has proven beneficial as it ensures a  
20 consistent approach and provides the estimators with a more focused scope. This division of  
21 work is intended to produce higher quality estimates.

22 b) The assessment of the Newfoundland and Labrador Transmission system is a vital step in  
23 the integrated planning process for any proposed new generation source. The transmission  
24 system is responsible for delivering the power generated by any new resource to the  
25 customer. Whenever a new generation source is considered, the Transmission Planning  
26 Group at Hydro is responsible for determining if the existing capability of the transmission

1 system can support the new generation, and if it cannot, transmission upgrades or Remedial  
2 Action Schemes are recommended. For the most recent information on transmission  
3 constraints and requirements for long-term resource planning, please see the 2024  
4 Resource Adequacy Plan<sup>1</sup>.

5 A transmission upgrade is not typically an alternative or substitute for new generation. An  
6 upgraded or new transmission line may decrease total transmission losses on the power  
7 system and reduce overall demand, but it would not be material enough to replace a source  
8 of generation.

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<sup>1</sup> "2024 Resource Adequacy Plan – An Update to the Reliability and Resource Adequacy Study," Newfoundland and Labrador Hydro, rev. August 26, 2024 (originally filed July 9, 2024), sch. 1, Appendix C, sec. 7.3.