

Office of the Consumer Advocate

323 Duckworth St.
P.O. Box 5955
St. John's, NL, Canada
A1C 5X4

September 29, 2026

Via Email

Board of Commissioners of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: Mike McNiven (Board Secretary)

**Re: Newfoundland and Labrador Hydro's ("Hydro") 2027 Capital Budget Application ("CBA")
– Consumer Advocate Request for Technical Conference**

Pursuant to the 2027 Hydro CBA schedule, the Consumer Advocate requests a technical conference on the following list of issues/questions:

1. Capital planning, prioritization and deferrals:

- a. Clarification of how Hydro determines the overall level and timing of its capital program, including how financial considerations influence the prioritization of otherwise supportable expenditures across programs. Some specific questions include:
 - i. What were the principal reasons for the approximately \$29.2 million in deferred or cancelled expenditures, and to what extent did financial/cost/rate considerations influence those decisions? [RFI: CA-NLH-038, 039]
 - ii. How does Hydro assess the relative priority of otherwise supportable investments when developing the overall capital program, particularly at the margin between projects included in the CBA and those deferred? [RFI: CA-NLH-039]
 - iii. What role do financial assessments play in determining the aggregate level, timing and prioritization of the proposed capital program? [RFI: CA-NLH-038, 039]

2. Cumulative financial consequences and affordability:

- a. Clarification of the financial analyses Hydro undertakes to assess the combined consequences of its five-year capital plan, beyond the justification of individual projects. Some specific questions include:
 - i. Does Hydro prepare consolidated forecasts of the incremental ratebase, depreciation, financing and revenue requirement impacts associated with its five-year capital plan? If not, what financial information is used to assess the cumulative consequences of the plan? [RFI: CA-NLH-038 d to g]
 - ii. How are the cumulative financial consequences of successive capital budgets assessed, including potential operating cost offsets and asset retirements, given that these are excluded from the illustrative revenue requirement impacts provided in the Application? [RFI: CA-NLH-038, 040]
 - iii. Are alternative capital spending profiles or investment timing scenarios evaluated, and what financial measures are used to compare them? [RFI: CA-NLH-038, 039]

3. Combined financial consequences of continued operation of Holyrood:

- a. Clarification of how Hydro assesses and periodically reassesses the combined financial implications of its planned Holyrood investments. Some specific questions include:
 - i. How does Hydro use the combined capital, fuel and O&M forecast of approximately \$562.5 million for 2026–2030 when evaluating the continued operation of Holyrood and the timing of sustaining investments? [RFI: CA-NLH-045 a, b, f and g]
 - ii. What changes in costs, operating assumptions or other circumstances would prompt Hydro to revisit its planned Holyrood investments or reassess the overall Bridging Period strategy? [RFI: CA-NLH-045 d, f and g]
- b. Additional explanation on Hydro's reasons for operating more than one unit during the winter months.

4. Assessment and verification of expected capital benefits:

- a. Clarification of Hydro's processes for evaluating whether the financial and operational benefits anticipated when capital investments are approved are subsequently realized. Some specific questions include:
 - i. Where operating savings, avoided costs or productivity improvements form part of a project's justification, how does Hydro subsequently assess whether those benefits have materialized? [RFI: CA-NLH-041, 042]
 - ii. How does Hydro distinguish between actual expenditure reductions, avoided future costs and operational efficiencies that do not result in corresponding expenditure reductions? [RFI: CA-NLH-041]
 - iii. How are realized benefits reflected in subsequent operating forecasts and revenue requirements, particularly where Hydro does not maintain separate project-level records of benefits realized? [RFI: CA-NLH-041, 042]

- iv. How is post-completion experience incorporated into the evaluation and prioritization of subsequent capital investments? [RFI: CA-NLH-042 d and e]

5. Stephenville gas turbine:

- a. Explanation regarding the option of continuing to patch the enclosure as an alternative to overhauling the steel enclosure, particularly given the forecast retirement date of spring 2030 and given the proposed spend of \$975,400.

6. Selection process:

- a. Information and examples of Hydro's asset-management and capital-prioritization process – tracing the process of condition evidence, risk calculation and expected reduction, analysis of alternatives, and the consequences of deferring work for two projects (one that is selected to go ahead this year and for another that is deferred to the future. The Consumer Advocate recommends using the Fleur de Lys Line 1 and comparing its selection against South Brook Line 1).

7. Capital budget execution:

- a. Clarification and explanation of the following:
 - i. How the combined program will be accommodated with available staff, contractor capacity, engineering and procurement resources, and outage windows.
 - ii. Which projects are most exposed to shared resource constraints or procurement delays, how Hydro would prioritize competing work, and the resulting effects on costs, in-service dates, safety and reliability.
 - iii. How estimate maturity, cost uncertainty and contingency are reflected in individual project budgets and the combined program, including how Hydro manages the risk of several projects experiencing cost increases or delays concurrently.
 - iv. Whether any work could reasonably be phased or rescheduled, and what milestones and reporting would allow the Board and parties to assess delivery progress and emerging risks.

Should you have any questions, please contact the undersigned.

Yours truly,

CONSUMER ADVOCATE



Adrienne Ding

Interim Consumer Advocate

Email: consumeradvocate@odeaearle.ca; ading@odeaearle.ca

Justin King

Counsel to the Consumer Advocate

Email: jking@odeaearle.ca

Encl.

ecc:

Board of Commissioners of Public Utilities

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Mike McNiven

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Board General

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Shirley A. Walsh

NLH Regulatory

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