Q. **Reference: CA-NLH-038 a; CA-NLH-039 a-g; Schedule 1, Section 5.1.1**

Customer Cost Considerations and Capital Portfolio Decisions: In response to CA-NLH-038, Hydro states that customer rate impacts are an important consideration in capital planning and project prioritization, although it does not establish an overall capital expenditure target or predetermined revenue requirement or rate impact constraint. Hydro also states that it deferred or cancelled 26 projects representing approximately $29.2 million in planned 2027 capital expenditures.

a) Please identify which of the 26 projects were deferred or cancelled, in whole or in part, because of customer cost or affordability considerations, as distinct from technical, operational, project readiness or execution capacity considerations.

b) For each project identified in part (a), please explain how customer cost or affordability considerations influenced the decision, including any assessment of the financial benefits of deferral relative to the associated reliability or operational risks.

c) Please identify whether any projects included in the 2027 CBA were reduced in scope, staged or deferred in order to limit the cumulative capital expenditure or customer-rate impacts of the 2027 capital portfolio. If so, please identify the projects and associated expenditure reductions.

d) Please summarize and provide any analyses undertaken that considered how customer cost or affordability influenced the decisions identified in parts (a) and (c). If no such analysis was undertaken, please explain why not.

e) Please explain whether Hydro assessed the trade-offs between customer costs/rate consequences and reliability or operational risks associated with alternative levels or timing of aggregate capital expenditures when determining the proposed level and pace of investment in its 5-Year Capital Plan. If so, please identify the alternatives considered, provide the results of those assessments and explain how they influenced the proposed capital plan. If not, please explain why not.

A. None of the 26 projects were deferred or cancelled solely or specifically on the basis of customer affordability, distinct from other considerations.

Newfoundland and Labrador Hydro's ("Hydro") capital investment philosophy is founded on its obligation to invest responsibly in the electrical system to the benefit of its customers; capital work is not cancelled or deferred solely based on its impact on customer rates. Hydro is committed to investing in capital in a manner that meets its legislated mandate to provide service and facilities that are reasonably safe and adequate, and just and reasonable, and to deliver power to consumers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

Consideration of customer cost impacts does not mean that otherwise necessary work is deferred primarily because of its impact on customer rates. Rather, where Hydro determines that the timing of an investment can be deferred without creating an unacceptable increase in safety, reliability, environmental, legislative, or operational risk, deferral may be selected as part of balancing the cost impact to customers with the required level of service. Conversely, where deferral would compromise reliability, safety, legislative compliance, or Hydro's ability to meet system requirements, Hydro does not consider deferrals to be an appropriate alternative. This approach is reflected in Hydro's 2027 capital planning process, under which each proposed program or project was assessed for the feasibility and risk of deferral.