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**Newfoundland and Labrador**  
**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

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**IN THE MATTER OF THE**  
**2025 CAPITAL BUDGET APPLICATION**  
**FILED BY**  
**NEWFOUNDLAND POWER INC.**

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**Reasons for Decision**  
**ORDER NO. P.U. 27(2024)**

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**BEFORE:**

**Kevin Fagan**  
**Chair and Chief Executive Officer**

**John O'Brien, FCPA, FCA, CISA**  
**Commissioner**

**Christopher Pike, LLB, FCIP**  
**Commissioner**

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

**REASONS FOR DECISION**

**ORDER NO. P.U. 27(2024)**

**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 Power Inc. for an Order pursuant to sections 41 and 78 of the **Act**: (a) approving its 2025 Capital Budget; (b) providing approval to proceed with the construction, purchase or lease of improvements or additions; and (c) fixing and determining its average rate base for 2023.

**BEFORE:**

Kevin Fagan  
Chair and Chief Executive Officer

John O’Brien, FCPA, FCA, CISA  
Commissioner

Christopher Pike, LLB, FCIP  
Commissioner

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1 **1. DECISION SUMMARY**

2

3 On December 13, 2024 the Board issued Order No. P.U. 27(2024) related to Newfoundland Power  
4 Inc.'s ("Newfoundland Power") 2025 Capital Budget. The Board approved Newfoundland Power's  
5 proposed 2025 capital budget in the amount of \$127,951,000, including expenditures of:

- 6 • \$97,687,000 for projects and programs in excess of \$750,000 which require Board  
7 approval;
- 8 • \$10,850,000 for projects and programs \$750,000 and under which do not require Board  
9 approval; and
- 10 • \$19,414,000 for ongoing multi-year projects previously approved by the Board with  
11 expenditures in 2025.

12

13 The Board also fixed and determined Newfoundland Power's 2023 average rate base in the  
14 amount of \$1,290,079,000.

15

16 Order No. P.U. 27(2024) was issued without reasons. These are the Board's Reasons for Decision.

17

18 **2. BACKGROUND**

19

20 Section 41 of the **Act** requires a public utility to submit an annual capital budget of proposed  
21 improvements or additions to its property for approval of the Board no later than December 15<sup>th</sup>  
22 in each year for the next calendar year. A utility must also include an estimate of contributions  
23 toward the cost of improvements or additions to its property which it intends to demand from  
24 its customers.

25

26 Subsection 41(3) of the **Act** prohibits a utility from proceeding with the construction, purchase  
27 or lease of improvements or additions to its property without the prior approval of the Board  
28 where the cost of the construction or purchase or lease is in excess of the amount prescribed in  
29 the regulations. Section 3 of the **Public Utilities Regulations**, NLR 40/23, sets the threshold for  
30 Board approval at \$750,000.

31

32 Section 78 of the **Act** gives the Board the authority to fix and determine the rate base for the  
33 service provided or supplied by a utility and gives the Board the power to revise the rate base.  
34 Section 78 also guides the Board on the elements included in a utility's rate base.

35

36 The process to be followed for capital budget applications is set out in the Board's Capital Budget  
37 Application Guidelines (Provisional), January 2022 (the "Guidelines").<sup>1</sup> The Board conducted this  
38 proceeding pursuant to the Guidelines.

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<sup>1</sup> The Board established Capital Budget Application Guidelines in 2007. The provisional guidelines established in 2022 are under review in a separate Board process.

### 3. APPLICATION

Newfoundland Power filed its 2025 Capital Budget Application (“Application”) with the Board on June 28, 2024. In the Application Newfoundland Power requested that the Board make an order:

- (a) approving its proposed construction and purchase of improvements or additions to its property to be completed in 2025 in the amount of \$127,951,000 comprising:
  - i. single-year project and program expenditures in excess of \$750,000 in the amount of \$79,468,000;
  - ii. single-year project and program expenditures \$750,000 and under in the amount of \$10,850,000;
  - iii. multi-year projects with 2025 expenditures of \$18,219,000; and
  - iv. previously approved multi-year projects with 2025 expenditures of \$19,414,000;
- (b) approving its proposed multi-year construction and purchase of improvements or additions to its property for future years in the amount of \$46,145,000 in 2026 and \$9,816,000 in 2027; and
- (c) fixing and determining its average rate base for 2023 in the amount of \$1,290,079,000.

#### 3.1. Process

Notice of the Application, including an invitation to participate, was published on July 10, 2024. Details of the Application and supporting documents were posted on the Board’s website.

Newfoundland and Labrador Hydro (“Hydro”) and the Consumer Advocate, Dennis Browne, KC (the “Consumer Advocate”) intervened (the “Intervenors”) in the Application.

On August 1, 2024 Newfoundland Power provided an overview of the Application in a presentation to Board staff and the Intervenors. This process afforded participants with an opportunity to ask questions and raise areas of concern with respect to the Application.

The Board, Hydro, and the Consumer Advocate issued 268 Requests for Information (“RFIs”) to Newfoundland Power. Newfoundland Power responded to these requests on September 10, 2024.

On September 10, 2024 Grant Thornton LLP, the Board’s financial consultant, filed a report on its review of the calculation of Newfoundland Power’s 2023 average rate base. The Board provided a copy of this report to the Intervenors.

On September 20, 2024 the Consumer Advocate requested a technical conference be held. Newfoundland Power responded to the Consumer Advocate’s request on September 23, 2024. On September 26, 2024 the Board denied the Consumer Advocate’s request, determining that the request did not meet the requirements set out in the Guidelines.<sup>2</sup>

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<sup>2</sup> The Board’s correspondence outlining its reasons for not convening a technical conference has been filed on the record of this proceeding.

1 The Board, Hydro, and the Consumer Advocate issued an additional 68 RFIs based upon  
2 Newfoundland Power's responses to the initial round of RFIs. Newfoundland Power responded  
3 to these requests on October 22, 2024.

4  
5 On October 25, 2024 the Consumer Advocate filed a request for an oral hearing. Newfoundland  
6 Power responded to the Consumer Advocate's request on October 29, 2024. The Board, satisfied  
7 that the written process had allowed for a comprehensive review of the proposals and that an  
8 oral hearing was not necessary for a full understanding of the issues to be decided, denied the  
9 request on November 1, 2024.<sup>3</sup>

10  
11 Hydro and the Consumer Advocate filed submissions respecting the Application on November  
12 14, 2024. Newfoundland Power filed its reply submission on November 21, 2024.

### 13 14 **3.2. Submissions**

15  
16 The Consumer Advocate submitted that in light of large recent and forecast rate increases, there  
17 is an extremely high sensitivity on the part of electricity consumers in the province to ensure that  
18 expenditures be subject to transparent, effective oversight. The Consumer Advocate submitted  
19 that Newfoundland Power has not met the burden of proof requirement, and that reductions to  
20 the proposed capital budget can be made without a detrimental impact on reliability. The  
21 Consumer Advocate made several expenditure-specific recommendations as well as  
22 recommendations concerning budget envelopes, the Guidelines, and metering.

23  
24 Hydro did not object to the capital expenditures proposed in the Application. However, Hydro  
25 stated that for high value assets such as power transformers, Newfoundland Power should  
26 consider fulsome assessment of the technical viability of repair versus replacement, and  
27 economic assessment of repair alternatives.

28  
29 Newfoundland Power submitted that it has justified its 2025 capital budget with sound,  
30 uncontroverted engineering judgments, and that the proposed projects and programs are  
31 necessary to maintain safe and adequate facilities and to provide electrical service that is least  
32 cost, reliable, and environmentally responsible. Newfoundland Power responded to each of the  
33 issues raised by the Consumer Advocate and Hydro's submission concerning power transformers.

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<sup>3</sup> The Board's correspondence outlining its reasons for not holding an oral hearing has been filed on the record of this proceeding.

1 **4. BOARD DECISION**

2

3 In considering the Application the Board must assess whether approval of the proposals is  
4 consistent with the statutory obligations imposed on the Board and Newfoundland Power.<sup>4</sup> In  
5 particular, section 3(b) of the **EPCA** requires a public utility to manage and operate its facilities  
6 for the efficient production, transmission, and distribution of power in a manner that would  
7 result in consumers in the province having equitable access to an adequate supply of power at  
8 the lowest possible cost, in an environmentally responsible manner, consistent with reliable  
9 service.

10

11 As noted by the Guidelines, appropriate capital spending is in the interests of both customers  
12 and utilities, as customers benefit from a utility which is well positioned to provide safe, reliable  
13 and adequate service and utilities benefit when the rates paid by customers are reasonable and  
14 just.<sup>5</sup>

15

16 The burden of proof is on the utility to provide sufficient evidence to justify its capital budget  
17 application proposals. In accordance with the legislation, regulations, and Guidelines,  
18 Newfoundland Power provided information relating to the proposed 2025 Capital Budget, capital  
19 expenditures, and 2023 average rate base. The Application also included information required to  
20 be filed in compliance with previous Board Orders including a status report on 2024 capital  
21 expenditures, a five-year capital plan, a report on use of historical averages, as well as a  
22 reconciliation of average rate base to invested capital. As required by the Guidelines, the  
23 Application included a prioritized list of all projects and programs organized by investment  
24 classification.

25

26 Newfoundland Power's proposed 2025 Capital Budget by investment classification is shown  
27 below.<sup>6</sup>

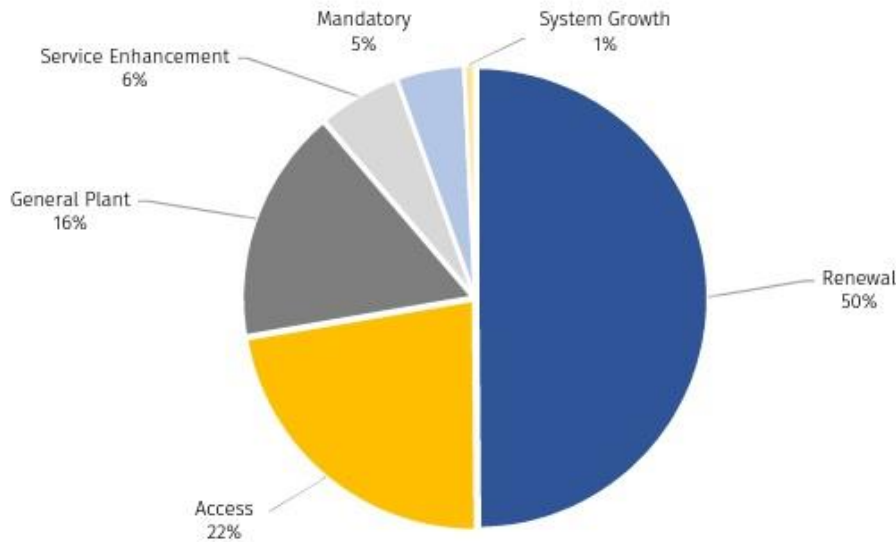
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<sup>4</sup> Sections 37 and 54 of the **Act** and sections 3 and 4 of the **EPCA**.

<sup>5</sup> Guidelines, pages 1-2.

<sup>6</sup> Application, 2025 Capital Budget Overview, Figure 7, page 17.

### 2025 Capital Budget by Investment Classification



1 The Board has reviewed the evidence including the Application and supporting materials, RFI  
 2 responses, Grant Thornton's report, and submissions from the Intervenors. The Board's  
 3 determinations in relation to the proposed capital expenditures, the 2025 Capital Budget, the  
 4 2023 average rate base, and the issues raised by the Consumer Advocate and Hydro are set out  
 5 below.

6

#### 7 **4.1. Proposed Capital Expenditures**

8

9 Newfoundland Power has proposed 35 projects and programs over \$750,000 that require Board  
 10 approval.<sup>7</sup> There are 20 proposed projects and programs with expenditures less than \$750,000  
 11 that do not require Board approval.<sup>8</sup> There are six projects and programs previously approved by  
 12 the Board.<sup>9</sup>

13

14 The evidence provided in support of the proposed expenditures in excess of \$750,000 includes  
 15 program/project descriptions and justifications, asset overviews, evaluation of alternatives, risk  
 16 assessments, and costing methodologies. Further information was provided by Newfoundland  
 17 Power in response to the RFIs filed in this proceeding. The Application also provides descriptions  
 18 of the projects and programs with expenditures less than \$750,000.

19

20 The Board's findings with respect to the proposed Mandatory, Access, General Plant, Renewal,  
 21 Service Enhancement, and System Growth expenditures are discussed below.

<sup>7</sup> Proposed expenditures are \$97,687,000 in 2025, \$46,145,000 in 2026, and \$9,816,000 in 2027.

<sup>8</sup> Proposed expenditures are \$10,850,000 in 2025.

<sup>9</sup> Proposed expenditures are \$19,414,000 in 2025 and \$297,000 in 2026.



#### 1 4.1.1. Mandatory

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7

Mandatory investments are those prescribed by a governing body, such as the provincial government, the federal government, or the Board. Newfoundland Power's mandatory expenditures for 2025 are \$6,051,000, accounting for approximately 5% of its proposed 2025 Capital Budget similar to its 2024 Capital Budget.<sup>10</sup>

8 There are two mandatory projects with expenditures over \$750,000 requiring Board approval.

- 9 • Expenditures of \$5,081,000 are proposed for General Expenses Capitalized which relates to capital expenditures charged in accordance with Board approved methodology.
- 10 • Expenditures of \$750,000 are proposed for the Allowance for Unforeseen Items for unplanned expenditures that have not been budgeted elsewhere, made in accordance with the Board's Guidelines.

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12  
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18

There is one mandatory project with expenditures under \$750,000 that does not require Board approval, with total expenditures of \$220,000 in 2025.<sup>11</sup> There are no mandatory expenditures for programs or projects previously approved by the Board.

19 The Intervenors did not oppose the proposed mandatory expenditures. The Board finds that the proposed mandatory expenditures are consistent with the Guidelines and Board orders and should be approved.

20  
21  
22

#### 23 4.1.2. Access

24  
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29

Investments in access are those required to meet Newfoundland Power's obligation to provide customers with access to electricity services. Newfoundland Power's access expenditures for 2025 are \$28,678,000, accounting for approximately 22% of its proposed 2025 Capital Budget similar to its 2024 Capital Budget.<sup>12</sup>

30 There are five access programs with expenditures over \$750,000 requiring Board approval. While the Intervenors did not oppose the approval of the proposed access programs, the Consumer Advocate recommended that the expenditures for two programs be reduced.

- 31 • Expenditures of \$13,402,000 are proposed for the Extensions program to construct primary and secondary distribution lines to connect new customers to the electrical system and provide upgrades to the capacity of existing lines to accommodate customers increased system loads. The Consumer Advocate recommended that the expenditures be reduced to \$12,840,000 based on a 2% inflation rate applied to the 2024F cost per customer multiplied by the 2025F number of customers. The Consumer Advocate concluded that the combination of including the unusual 2023 year, the use of historical averages, and the use of an in-house determined internal inflation rate makes the 2025

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<sup>10</sup> Newfoundland Power's 2024 mandatory expenditures were \$6,054,000.

<sup>11</sup> Application, Schedule C, 2025 Capital Projects and Programs \$750,000 and Under.

<sup>12</sup> Newfoundland Power's 2024 access expenditures were \$25,248,000.

1 proposed expenditure less than credible. Further, the Consumer Advocate submitted that  
2 there is no evidence that Newfoundland Power has taken any action to control the costs  
3 of the program.<sup>13</sup>

- 4 • Expenditures of \$5,623,000 are proposed for the New Transformers program for  
5 purchasing transformers to serve customer growth. The Consumer Advocate  
6 recommended that the expenditures for the program be reduced to \$5,432,000 based on  
7 a \$200,000 decrease in the amount for additions to inventories. The Consumer Advocate  
8 submitted that Newfoundland Power did not make a case for an immediate need to add  
9 to inventories, nor has the appropriate level of inventories been determined. The  
10 Consumer Advocate recommended that the Board order Newfoundland Power to study  
11 and report on (i) the determination of an appropriate level of inventories that reflects the  
12 repair, refurbishment, and protection possibilities as well as the cost of holding  
13 inventories and (ii) the use of historical average expenditures for budget estimation  
14 rather than using quantities with the latest price information, or other approaches. The  
15 Consumer Advocate submitted that a modest reduction in expenditures for inventories  
16 for 2025 would provide savings for customers without an undue risk.<sup>14</sup>

17  
18 The Board notes that the budgets for both programs are based on Newfoundland Power's  
19 historical averaging methodology, which was detailed in its report on the use of historical  
20 averages filed with the Application in accordance with Board Order No. P.U. 2(2024). This report  
21 explained the methodology used by Newfoundland Power in estimating expenditures using  
22 historical averages, including the rationale as to which expenditures are determined using  
23 historical averages, the treatment of outliers and trends, the consideration of other related  
24 circumstances, and the time period used. Additionally, Newfoundland Power responded to  
25 several RFIs on its use of historical averages. The Board notes that the proposed expenditures are  
26 not significantly higher than the 2024F expenditures considering inflation and increases in  
27 material costs. The Board is satisfied that the proposed expenditures reasonably represent the  
28 expenditures which can be expected in 2025 and should not be reduced.

29  
30 The Board also does not find it necessary to direct Newfoundland Power to study and/or report  
31 to the Board with respect to managing inventories or the use of historical averages for budget  
32 estimation. The Board is satisfied that Newfoundland Power has filed comprehensive evidence  
33 with respect to its use of historical averages and no further study is required at this time. With  
34 respect to inventories, the Board recognizes that maintaining a sufficient inventory of  
35 transformers is necessary to enable routine corrective and preventative maintenance and  
36 connect new customers to the electricity system. The Board notes that Newfoundland Power's  
37 annual transformer inventory has, for the majority of years, decreased year over year.<sup>15</sup> The  
38 Board also notes that the average quantity of transformers purchased has decreased, from  
39 approximately 1,980 between 2014-2018 to approximately 1,500 between 2019-2023<sup>16</sup> and that

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<sup>13</sup> Consumer Advocate Submission, page 15.

<sup>14</sup> Consumer Advocate Submission, pages 16-17.

<sup>15</sup> CA-NP-161, part b), Table 1.

<sup>16</sup> Application, Schedule B, 2025 Capital Projects and Programs Over \$750,000, page 33, footnote 34.

1 Newfoundland Power manages vendor lead times to ensure there is adequate inventory to  
 2 provide reliable service to customers.<sup>17</sup> The Board does not find that a report and/or study on  
 3 inventories is necessary to ensure Newfoundland Power continues to manage its transformer  
 4 inventory to provide customers with least-cost, adequate service.

5  
 6 There are three other proposed access programs that were not addressed in the Intervenor  
 7 submissions.

- 8 • Expenditures of \$3,528,000 are proposed for the Relocate/Replace Distribution Lines for  
 9 Third Parties program to accommodate requests from municipal/provincial/federal  
 10 governments, telecommunications companies, and customers to relocate or replace  
 11 distribution lines.
- 12 • Expenditures of \$3,208,000 are proposed for the New Services program to install service  
 13 wires to connect new customers to the distribution system.
- 14 • Expenditures of \$2,460,000 are proposed for the New Street Lighting program to install  
 15 new street lighting fixtures based on customers' service requests.

16  
 17 There is one access program with expenditures under \$750,000 that does not require Board  
 18 approval, with total expenditures of \$457,000 in 2025.<sup>18</sup> There are no access expenditures for  
 19 programs or projects previously approved by the Board.

20  
 21 The Board is satisfied that Newfoundland Power has sufficiently justified its access expenditures  
 22 for its 2025 Capital Budget. The Board finds that the proposed access expenditures are  
 23 reasonable and necessary to ensure the delivery of power to customers at the lowest possible  
 24 cost, in an environmentally responsible manner, consistent with reliable service.

### 25 26 **4.1.3. General Plant**

27  
 28 General Plant investments are those related to assets that are not part of Newfoundland Power's  
 29 generation, transmission, and distribution system including land and buildings, tools and  
 30 equipment, rolling stock and electronic devices and software used to support day to day business  
 31 and operations activities. Newfoundland Power's general plant expenditures for 2025 are  
 32 \$21,055,000, accounting for approximately 16% of its proposed 2025 Capital Budget. This  
 33 represents an increased proportion of its total capital budget compared to last year, when  
 34 general plant expenditures comprised approximately 11% of its 2024 Capital Budget.<sup>19</sup>

35  
 36 There are nine projects with expenditures over \$750,000 requiring Board approval. The  
 37 Consumer Advocate opposed one of the proposed general plant projects.

- 38 • Expenditures of \$278,000 in 2025 and \$1,003,000 in 2026 are proposed for the Port Union  
 39 Building Replacement project to replace deteriorated infrastructure, ensure compliance  
 40 with occupational health and safety regulations, and ensure adequate facilities to serve

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<sup>17</sup> Newfoundland Power Submission, page 28-29.

<sup>18</sup> Application, Schedule C, 2025 Capital Projects and Programs \$750,000 and Under.

<sup>19</sup> Newfoundland Power's general plant expenditures were \$12,828,000.

1 customers in the area. The Consumer Advocate submitted that a typical house price in  
2 Port Union is under \$200,000, and that Newfoundland Power has not justified the  
3 expenditure nor adequately explained how construction of the building is not comparable  
4 to the construction of a residential single-family home.<sup>20</sup>  
5

6 The Board is satisfied that the evidence including the report filed by Newfoundland Power on the  
7 project, RFI responses, and submissions from Newfoundland Power provides sufficient  
8 justification for the project. The Board finds that Newfoundland Power has articulated the unique  
9 needs of the building which distinguish it from a residential single-family home such as  
10 requirements for parking, safe access, secure laydown areas for material storage, and compliance  
11 with occupational health and safety regulations. The Board notes that the evidence  
12 demonstrates that Newfoundland Power assessed alternatives to the project, such as  
13 refurbishing the existing facility or relocating crews to the Clarendville office, and that the  
14 associated costs of these alternatives were considerably higher than the proposed project. The  
15 Board accepts Newfoundland Power's justification for the project and its assessment of  
16 alternatives, and approves the project on the basis that it is necessary to ensure adequate  
17 facilities for the provision of safe, least-cost, and reliable electrical service to customers in the  
18 area.  
19

20 There are eight other proposed general plant projects that were not addressed in the Intervenor  
21 submissions.

- 22 • Expenditures of \$914,000 are proposed for the Application Enhancements project for  
23 business modernization, website enhancement, and various minor enhancements in  
24 order to reduce costs to customers and/or improve customer service delivery.
- 25 • Expenditures of \$970,000 are proposed for the Shared Server Infrastructure project for  
26 server infrastructure upgrades, asset management server infrastructure upgrades, and  
27 electronic mail system upgrades to improve the functionality of Newfoundland Power's  
28 shared server infrastructure.
- 29 • Expenditures of \$1,408,000 are proposed for the System Upgrades project to perform  
30 upgrades to the customer contact management system website, records management  
31 system, financial management system, supervisory control and data acquisition  
32 ("SCADA") system, and other minor upgrades to implement bug fixes, security  
33 patches/updates, or changes to comply with technology, regulatory, or legislative  
34 requirements.
- 35 • Expenditures of \$940,000 are proposed for the Cybersecurity Upgrades project for new  
36 technologies and enhancements to existing technologies to reduce risk and enhance  
37 security in the areas of network and firewall security in operation technologies and SCADA  
38 environments, and enhancements to service accounts as well as information and data  
39 management.
- 40 • Expenditures of \$870,000 are proposed for the VHF Radio System Replacement project  
41 to replace the existing radio system which has reached its end-of-life and is used in

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<sup>20</sup> Consumer Advocate Submission, pages 17-18.

1 emergency situations, as a backup solution when primary means of communication are  
2 unavailable, and for instant truck-to-truck communications during field operations.

- 3 • Expenditures of \$3,749,000 in 2025 and \$4,534,000 in 2026 are proposed for the Asset  
4 Management Technology Replacement project to replace Newfoundland Power's existing  
5 asset management technology, which will no longer be supported by the vendor as of  
6 January 1, 2027, with a modern equivalent.
- 7 • Expenditures of \$1,811,000 in 2025 and \$1,459,000 in 2026 are proposed for the Outage  
8 Management System Upgrade project to upgrade the Outage Management System prior  
9 to the expiration of vendor support as of November 1, 2026.
- 10 • Expenditures of \$2,173,000 in 2025 and \$2,802,000 in 2026 are proposed for the Replace  
11 Vehicles and Aerial Devices 2025-2026 project to replace 21 passenger vehicles, one light  
12 duty vehicle, five heavy/medium duty vehicles, and miscellaneous off-road vehicles based  
13 on established evaluation criteria and inspections.

14  
15 There are also eight projects/programs with expenditures under \$750,000 that do not require  
16 Board approval. Total expenditures for these projects/programs are \$4,286,000 in 2025.<sup>21</sup>  
17 Additionally, Newfoundland Power's general plant expenditures include three projects  
18 previously approved by the Board with expenditures of \$3,926,000 in 2025.<sup>22</sup>

19  
20 The Board acknowledges that significant expenditures are proposed for the upgrade of  
21 Newfoundland Power's Outage Management System and replacement of its asset management  
22 technology. The Board notes that both projects involve technologies critical in supporting  
23 Newfoundland Power's operations and that the proposed expenditures are necessary to address  
24 obsolescence and vendor support issues. With respect to the proposed replacement of  
25 Newfoundland Power's asset management technology, the Board notes that Newfoundland  
26 Power provided comprehensive evidence including a report on the project, a review conducted  
27 by Asset Management Consulting Limited, and responses to several RFIs. The Board accepts that  
28 the evidence filed demonstrates that the proposed replacement of Newfoundland Power's asset  
29 management technology with a modern equivalent is aligned with industry best practice and will  
30 allow Newfoundland Power to meet current requirements as well as provide a foundation for  
31 enhancements as its asset management matures.

32  
33 The Board is satisfied that the proposed general plant expenditures are reasonable and necessary  
34 to maintain, replace, and upgrade assets used in Newfoundland Power's operations. The Board  
35 finds that Newfoundland Power has appropriately balanced cost with reliability to meet its  
36 obligation to deliver power to its customers at the lowest possible cost, in an environmentally  
37 responsible manner, consistent with reliable service. Additionally, the Board accepts the general  
38 plant expenditures associated with projects previously approved by the Board as the Application  
39 confirms there have been no material changes in the scope, nature, or magnitude of these  
40 projects.<sup>23</sup>

---

<sup>21</sup> Application, Schedule C, 2025 Capital Projects and Programs \$750,000 and Under.

<sup>22</sup> Application, 2025 Capital Budget Overview, Appendix A, Table A-4, page 6.

<sup>23</sup> Application, 2025 Capital Budget Overview, Appendix E, page 1.

1 **4.1.4. Renewal**

2

3 Renewal investments are those required to replace and/or refurbish system assets to maintain  
 4 the ability to provide customers with their current electricity services. Newfoundland Power's  
 5 renewal expenditures for 2025 are \$63,819,000, accounting for approximately 50% of its  
 6 proposed 2025 Capital Budget. This represents a decreased proportion of its total capital budget  
 7 compared to last year, when renewal expenditures comprised approximately 53% of its 2024  
 8 Capital Budget.<sup>24</sup>

9

10 There are 16 renewal programs/projects with expenditures over \$750,000 requiring Board  
 11 approval. The Intervenors did not oppose the approval of these programs, however the  
 12 Consumer Advocate recommended that the expenditures for three programs be reduced.

- 13 • Expenditures of \$5,115,000 are proposed for the Rebuild Distribution Lines program for  
 14 the planned replacement of deteriorated distribution structures and electrical equipment  
 15 based on the result of inspections or engineering reviews on 44 identified distribution  
 16 feeders. The Consumer Advocate submitted that a \$215,000 reduction should be applied  
 17 given Newfoundland Power's current reliability levels, and considering that the budget  
 18 request is based on historical averages rather than specific needs. The Consumer  
 19 Advocate submitted that a modest reduction would not be a threat to reliability and might  
 20 even encourage cost-cutting measures.<sup>25</sup>
- 21 • Expenditures of \$6,340,000 are proposed for the Replacement Transformers program to  
 22 replace distribution system transformers that have deteriorated or failed in service. The  
 23 Consumer Advocate recommended that the expenditures for the program be reduced to  
 24 \$6,140,000 based on a \$200,000 decrease in the amount for additions to inventories. The  
 25 Consumer Advocate's recommendation under the New Transformers program  
 26 concerning the need for a study/report on inventories and the use of historical averages  
 27 applied to the Replacement Transformers program as well.<sup>26</sup>
- 28 • Expenditures of \$2,884,000 are proposed for the Transmission Line Maintenance  
 29 program to replace infrastructure that has failed or is at risk of failure, and to  
 30 accommodate third-party requests to relocate or replace sections of transmission lines.  
 31 The Consumer Advocate recommended that the expenditures for this program be  
 32 reduced to \$2,700,000. The Consumer Advocate submitted that the historical average  
 33 included what appeared to be an outlier year and given the strong reliability performance  
 34 of Newfoundland Power's system, a modest reduction would not be detrimental to  
 35 service.<sup>27</sup>

36

37 The Board notes that the budgets for these three programs are based on Newfoundland Power's  
 38 historical averaging methodology. As previously discussed, Newfoundland Power filed with this  
 39 Application a detailed report on its use of historical averages, as well as responded to several RFIs

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<sup>24</sup> Newfoundland Power's renewal expenditures were \$60,851,000.

<sup>25</sup> Consumer Advocate Submission, pages 15-16.

<sup>26</sup> Consumer Advocate Submission, pages 16-17.

<sup>27</sup> Consumer Advocate Submission, page 16.

1 on the subject. The Board accepts the proposed expenditures for these three programs on the  
2 basis that the historical averages, adjusted for inflation and increases in material costs,  
3 reasonably represent the expenditures which can be expected in 2025. The Board notes that the  
4 proposed 2025 expenditures are not significantly higher than the 2024F expenditures considering  
5 inflation and increases in material costs. The Board finds that based on the evidence presented,  
6 the proposed renewal expenditures should not be reduced. Additionally, as previously discussed  
7 with respect to the New Transformers program, the Board does not find it necessary to direct  
8 Newfoundland Power to study and/or report to the Board on the use of historical averages for  
9 budget estimation or on managing inventories.

10  
11 There are 13 other proposed renewal projects that were not addressed in the Intervenor  
12 submissions. These projects include three substation refurbishment projects, two substation  
13 power transformer replacements, and six other projects.

- 14 • Expenditures of \$4,991,000 in 2025 and \$9,031,000 in 2026 are proposed for three  
15 substation refurbishment and modernization projects to replace and modernize  
16 deteriorated equipment identified through inspections, engineering assessments, and  
17 operating experience.<sup>28</sup>
- 18 • Expenditures of \$34,000 in 2025, \$6,810,000 in 2026, and \$263,000 in 2027 are proposed  
19 for two substation power transformer replacement projects to replace deteriorating  
20 power transformers which will mitigate risks to the delivery of reliable service to  
21 customers in the Gander-Twillingate area and the communities of Torbay, Portugal Cove-  
22 St. Philip's, Pouch Cove, Logy Bay – Middle Cove – Outer Cove.<sup>29</sup>
- 23 • Expenditures of \$4,927,000 are proposed for the Substation Replacements Due to In-  
24 Service Failures program to replace substation equipment that has failed or is at imminent  
25 risk of failure due to events such as storm damage, lightning strikes, vandalism, electrical  
26 or mechanical failure, corrosion damage, technical obsolescence, or failure during  
27 maintenance testing. The program also includes costs associated with maintaining an  
28 inventory of spare parts necessary to permit a timely response to substation equipment  
29 failures.
- 30 • Expenditures of \$7,425,000 are proposed for the Reconstruction program to replace  
31 deteriorated or damaged distribution structures and electrical equipment based on  
32 deficiencies identified during inspections or recognized during operational problems,  
33 including customer outages and trouble calls.
- 34 • Expenditures of \$884,000 are proposed for the Replacement Street Lighting program to  
35 replace failed street light poles and hardware, including overhead and underground  
36 wiring and pole-mounting brackets.
- 37 • Expenditures of \$3,485,000 in 2025 and \$9,075,000 in 2026 are proposed for the  
38 Transmission Line 94L Rebuild project to replace the transmission line between the

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<sup>28</sup> The Summerville Substation Refurbishment and Modernization project, see Application, Schedule B, page 51; the Northwest Brook Substation Refurbishment and Modernization project, Application, Schedule B, page 55; and the Lockston Substation Refurbishment and Modernization project, Application, Schedule B, page 59.

<sup>29</sup> The Gander Substation Power Transformer Replacement project, see Application, Schedule B, page 63; and the Pulpit Rock Substation Power Transformer Replacement project, Application, Schedule B, page 67.

1 Blaketown and Riverhead Substations to address deterioration and deficiencies and  
2 mitigate risks of equipment failures.<sup>30</sup>

- 3 • Expenditures of \$649,000 in 2025 and \$1,140,000 in 2026 are proposed for the  
4 Distribution Feeders SCT-01 and BLK-01 Relocation project to relocate sections of the St.  
5 Catherine’s substation distribution feeder and the Blaketown substation distribution  
6 feeder to accommodate the Transmission Line 94L Rebuild project.
- 7 • Expenditures of \$1,886,000 in 2025, \$9,283,000 in 2026, and \$9,553 in 2027 are proposed  
8 for the New Transmission Line from Lewisporte to Boyd’s Cove project to construct a new  
9 transmission line between Lewisporte and Boyd’s Cove Substations which will address a  
10 system planning voltage violation and allow for the retirement of the deteriorated  
11 Transmission Line 108L.
- 12 • Expenditures of \$825,000 in 2025 are proposed for the Mobile Hydro Plant Penstock  
13 Refurbishment to refurbish and replace deteriorated penstock components at the Mobile  
14 Hydroelectric Plant based on a condition assessment and corresponding risk assessment.
- 15 • Expenditures of \$3,608,000 in 2025 and 1,008,000 in 2026 are proposed for the Mount  
16 Carmel Pond Dam Refurbishment to replace the deteriorated spillway structure and  
17 automate the outlet gate at Mount Carmel Pond to ensure reliable winter capacity and  
18 future energy availability.

19  
20 There are nine renewal projects/programs with expenditures under \$750,000 that do not require  
21 Board approval, with total expenditures of \$5,278,000 in 2025.<sup>31</sup> In addition, Newfoundland  
22 Power’s renewal expenditures include three projects previously approved by the Board with  
23 expenditures of \$15,488,000 in 2025.<sup>32</sup>

24  
25 The Board notes that renewal expenditures continue to make up the majority of Newfoundland  
26 Power’s capital expenditures. The Board recognizes that these expenditures are driven by the  
27 age and condition of Newfoundland Power’s electrical system, and that aging or deteriorating  
28 assets must be replaced, updated, or refurbished in order to maintain system reliability. The  
29 Board acknowledges that appropriate investment in renewal is critical to ensure the continued  
30 provision of safe and reliable electric service. The Board notes that significant expenditures are  
31 budgeted for Transmission Line 94 L Rebuild to replace the transmission line between Blaketown  
32 and Riverhead Substations and the New Transmission Line from Lewisporte to Boyd’s Cove to  
33 replace Transmission Line 108L which are necessary to address deteriorated aging transmission  
34 lines.

35  
36 The Board finds that Newfoundland Power’s proposed renewal expenditures are justified and  
37 necessary to ensure the delivery of power to its customers at the lowest possible cost, in an  
38 environmentally responsible manner, consistent with reliable service. Further, the Board accepts

---

<sup>30</sup> Transmission Line 94L Rebuild, with expected completion by 2024, was previously approved in Newfoundland Power’s 2022 Capital Budget Order No. P.U. 36(2021). Due to changes in cost, duration, and scope, Newfoundland Power has proposed an updated project in its 2025 Capital Budget.

<sup>31</sup> Application, Schedule C, 2025 Capital Projects and Programs \$750,000 and Under.

<sup>32</sup> Application, 2025 Capital Budget Overview, Appendix A, Table A-4, page 6. Transmission Line 94L Rebuild approved in Order No. P.U. 36(2021) is removed from the list of previously approved multi-year projects.



1 the renewal expenditures associated with projects previously approved by the Board as the  
2 Application confirms there have been no material changes in the scope, nature, or magnitude of  
3 these projects.<sup>33</sup>

4

#### 5 **4.1.5. Service Enhancement**

6

7 Service enhancement investments are those that modify Newfoundland Power's system to meet  
8 operational requirements in a more efficient and/or effective manner. Such projects/programs  
9 include those associated with safety, environmental protection, automation, and poorly  
10 performing feeders. Newfoundland Power's service enhancement expenditures for 2025 are  
11 \$7,388,000, accounting for approximately 6% of its proposed 2025 Capital Budget similar to its  
12 2025 Capital Budget.<sup>34</sup>

13

14 There are two projects with expenditures over \$750,000 requiring Board approval.

15 • Expenditures of \$5,654,000 are proposed for the LED Street Lighting Replacement  
16 project, as part of a six-year plan that began in 2021 to supply Street and Area Lighting  
17 customers with LED fixtures to provide these customers with reliable service at the lowest  
18 possible cost.

19 • Expenditures of \$1,125,000 are proposed for the Distribution Feeder Automation project  
20 to install 14 downline reclosers to minimize the number of customers affected during a  
21 power outage.

22

23 There is one service enhancement project with expenditures under \$750,000 that does not  
24 require Board approval. Total expenditures for this project are 609,000 in 2025.<sup>35</sup> There are no  
25 service enhancement expenditures for programs or projects previously approved by the Board.

26

27 The Intervenors did not oppose the proposed service enhancement expenditures. The Board  
28 finds that Newfoundland Power's proposed service enhancement expenditures are reasonable  
29 and consistent with Newfoundland Power's obligation to provide safe and reliable electricity to  
30 customers at the lowest possible cost, in an environmentally responsible manner.

31

#### 32 **4.1.6. System Growth**

33

34 System growth investments are those that modify Newfoundland Power's system to meet  
35 forecast changes in customer electricity resource requirements. Newfoundland Power's 2025  
36 system growth expenditures of \$960,000 account for approximately 1% of the proposed 2025  
37 Capital Budget. This represents a decreased proportion of its total capital budget compared to  
38 last year, when system growth expenditures comprised approximately 3% of Newfoundland  
39 Power's 2024 Capital Budget.<sup>36</sup>

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<sup>33</sup> Application, 2025 Capital Budget Overview, Appendix E, page 1.

<sup>34</sup> Newfoundland Power's 2024 service enhancement expenditures were \$7,009,000.

<sup>35</sup> Application, Schedule C, 2025 Capital Projects and Programs \$750,000 and Under.

<sup>36</sup> Newfoundland Power's 2024 system growth expenditures were \$3,262,000.

1 There is one proposed system growth project with expenditures over \$750,000 requiring Board  
2 approval.

- 3 • Expenditures of \$960,000 are proposed for the Feeder Additions for Load Growth project  
4 to address overload conditions and provide additional capacity to address system load  
5 growth on one distribution feeder in the Portugal Cove area and one in the Goulds area.  
6 The budget for this project is based on detailed engineering estimates of individual budget  
7 items.

8  
9 There are no system growth projects/programs with expenditures below \$750,000 or system  
10 growth expenditures previously approved by the Board.

11  
12 The Intervenors did not oppose the proposed system growth expenditures. The Board is satisfied  
13 that Newfoundland Power's proposed system growth expenditures have been sufficiently  
14 justified and will facilitate the provision of least-cost reliable and safe service, in an  
15 environmentally responsible manner.

#### 16 17 **4.2 Proposed 2024 Capital Budget**

18  
19 Newfoundland Power's proposed 2025 Capital Budget is \$127,951,000, including expenditures  
20 of \$97,687,000 requiring Board approval, \$10,850,000 not requiring Board approval, and  
21 \$19,414,000 for projects previously approved by the Board. The Board notes that Newfoundland  
22 Power's proposed 2025 Capital Budget is approximately 12% higher than its 2024 Capital Budget  
23 of \$114,252,000.<sup>37</sup>

24  
25 The Application includes four projects that were previously deferred or modified and are now  
26 proposed for 2025, and five capital projects that were planned for 2025 but have been deferred  
27 to future years. There were no capital expenditures that were planned for future years but have  
28 been advanced to 2025.<sup>38</sup> Prioritization and deferral decisions are based on assessments of the  
29 likelihood that an asset will fail and the potential reliability, safety, environmental, or economic  
30 consequences for customers if failure were to occur.<sup>39</sup>

31  
32 The Board approves Newfoundland Power's 2025 Capital Budget in the amount of \$127,951,000  
33 on the basis that the evidence filed demonstrates that the proposed expenditures are justified  
34 and necessary. The Board has found that the proposed 2025 expenditures in excess of \$750,000  
35 for the construction, purchase, or lease of improvements or additions to Newfoundland Power's  
36 property are reasonable and consistent with its obligation to ensure the delivery of power to its  
37 customers at the lowest possible cost, in an environmentally responsible manner, consistent with  
38 reliable service. The Board has also accepted the expenditures associated with projects/programs  
39 previously approved by the Board, as the Application confirms that there have been no material

---

<sup>37</sup> Newfoundland Power's proposed 2024 Capital Budget was \$115,252,000, however the Board reduced the proposed budget by \$1,000,000.

<sup>38</sup> Application, 2025 Capital Budget Overview, Appendix B, Tables B-1 and B-2, pages 1-2.

<sup>39</sup> Application, 2025 Capital Budget Overview, page 5.

1 changes in the scope, nature or magnitude of these projects/programs. While expenditures  
2 under \$750,000 do not require Board approval, they are included in Newfoundland Power's  
3 proposed 2025 Capital Budget which requires the approval of the Board pursuant to subsection  
4 41(1) of the **Act**. The Board has reviewed the information provided in relation to these  
5 expenditures and accepts that they should be included in Newfoundland Power's 2025 Capital  
6 Budget.

7  
8 While the Board approves the proposed 2025 capital expenditures, the Board has concerns with  
9 Newfoundland Power's increasing levels of capital spending, which has also been raised in the  
10 Consumer Advocate's submissions. The Board further discusses these concerns in the "Control  
11 Over Capital Spending" section of these Reasons.

12

### 13 **4.3 Average Rate Base**

14

15 The Application requested that the Board fix and determine Newfoundland Power's 2023  
16 average rate base in the amount of \$1,290,079,000.<sup>40</sup>

---

<sup>40</sup> Application, Schedule D, Computation of Average Rate Base, page 1.

**Newfoundland Power Inc.**  
**Computation of Average Rate Base**  
**For the Years Ended December 31**  
**(\$000s)**

	<u>2023</u>	<u>2022</u>
<b>Net Plant Investment</b>		
Plant Investment	2,311,786	2,178,072
Accumulated Depreciation	(957,928)	(914,827)
Contributions in Aid of Construction	(47,887)	(45,171)
	<u>\$1,305,971</u>	<u>\$1,218,074</u>
<b>Additions to Rate Base</b>		
Deferred Pension Costs	101,430	95,095
Credit Facility Costs	105	87
Cost Recovery Deferral – Conservation	20,708	19,359
Cost Recovery Deferral – 2022 Revenue Shortfall	229	459
Cost Recovery Deferral – Load Research and Retail Rate Design Review	189	20
Cost Recovery Deferral – Pension Capitalization	799	-
Customer Finance Programs	1,199	1,472
	<u>\$124,659</u>	<u>\$116,492</u>
<b>Deductions from Rate Base</b>		
Weather Normalization Reserve	(6,321)	6,576
Demand Management Incentive Account	(978)	107
Other Post-Employment Benefits	84,357	80,151
Customer Security Deposits	653	1,270
Accrued Pension Obligation	5,397	5,300
Accumulated Deferred Income Taxes	30,609	18,076
Refundable Investment Tax Credits	292	-
Excess Earnings Account	3,714	-
	<u>\$117,723</u>	<u>\$111,480</u>
<b>Year End Rate Base</b>	1,312,907	1,223,086
<b>Average Rate Base Before Allowances</b>	1,267,997	1,211,751
<b>Rate Base Allowances</b>		
Materials and Supplies Allowance	14,778	11,978
Cash Working Capital Allowance	7,304	6,705
	<u>\$1,290,079</u>	<u>\$1,230,434</u>
<b>Average Rate Base at Year End</b>	<u>\$1,290,079</u>	<u>\$1,230,434</u>

- 1 Grant Thornton reviewed Newfoundland Power’s proposed average rate base for 2023 and  
2 concluded that the proposed 2023 average rate base accords with established practice and  
3 relevant Board Orders.<sup>41</sup>  
4  
5 The Consumer Advocate and Hydro did not comment on the calculation of Newfoundland  
6 Power’s 2023 rate base, although the Consumer Advocate stated his concern about high capital  
7 expenditures continuing to add to rate base, the cost and risk of which are borne by ratepayers.  
8  
9 Newfoundland Power submitted that the Board should fix and determine its average rate base  
10 for 2023 at \$1,290,079,000.

---

<sup>41</sup> Grant Thornton Report, September 10, 2024, page 3.

1 The Board finds that the components of Newfoundland Power's average rate base for 2023 in  
2 the amount of \$1,290,079,000 should be approved on the basis that it complies with established  
3 practice and relevant Board Orders.

4

#### 5 **4.4 Other Issues**

6

7 The Consumer Advocate raised a number of issues that are not related to the issues to be decided  
8 by the Board in this proceeding as they have been or will be addressed in other proceedings.  
9 These issues include:

10

- 11 • Customer input on reliability
- 12 • Metering
- 13 • Use of internal labour inflation rate
- 14 • Falling behind other jurisdictions
- 15 • Distribution system planning

16

17 These issues have been discussed as part of Newfoundland Power's 2025/2026 General Rate  
18 Application and were addressed by the Board in Order No. P.U. 3(2025). Other issues, such as  
19 asset management, the Guidelines, and the envelope approach, are the subject of separate Board  
20 processes and would be more appropriately addressed as part of those processes. The Board  
21 therefore makes no comment with respect to these issues.

22

23 The Consumer Advocate raised three other issues that are related to the current proceeding.  
24 These issues concern assessment of alternatives, use of historical averages, and control over  
25 capital spending. Hydro also provided comments on repair alternatives for high value assets.  
26 These issues are discussed below.

27

##### 28 **4.4.1. Assessment of Alternatives**

29

30 The Consumer Advocate submitted that Newfoundland Power does not assess benefit to cost  
31 ratios for its projects and programs and does not use benefit to cost ratios for ranking projects  
32 and programs. The Consumer Advocate submitted that this information is necessary to approve  
33 the proposed projects and programs, excepting those in the mandatory investment class. The  
34 Consumer Advocate also submitted that Newfoundland Power is not adequately promoting or  
35 assessing environmentally friendly non-wires alternatives such as net metering.<sup>42</sup>

36

37 Newfoundland Power responded that it undertakes a cost benefit analysis when required to do  
38 so under the Guidelines. Newfoundland Power also follows the Guidelines direction that all  
39 calculations in the cost benefit analysis are to be made on a net present value basis. With respect  
40 to non-wires alternative and net metering, Newfoundland Power responded that net metering

---

<sup>42</sup> Consumer Advocate Submission, pages 6.

1 in Newfoundland and Labrador is consistent with provincial policy, and the net metering service  
2 option is available to customers and is advertised on its webpage.<sup>43</sup>

3  
4 While Hydro did not specifically address Newfoundland Power's assessment of alternatives, it did  
5 raise that Newfoundland Power should consider fulsome assessment of repair alternatives versus  
6 replacement for high value assets such as power transformers. Hydro submitted that careful  
7 management of Newfoundland Power's spare transformer and portable substation fleet could  
8 facilitate repair options while providing a more favourable balance of reliability risk and cost.<sup>44</sup>

9  
10 Newfoundland Power responded that it considers repair versus replacement when assessing the  
11 potential replacement of assets. In the case of power transformers, following the replacement  
12 of a power transformer, the units are assessed and depending on the condition, they may be  
13 used for a spare, considered for repair, or scrapped. In some circumstances, repairing power  
14 transformer units may not reduce the immediate risks being addressed because units would have  
15 to be removed from service for 18 to 24 months requiring the long-term installation of a portable  
16 substation or spare transformer. Newfoundland Power submitted that due to the limited number  
17 of portable substations and power transformers, this would put additional pressure on its  
18 emergency response capabilities and create an unacceptable risk to customers.<sup>45</sup>

19  
20 The Board is satisfied that the evidence filed demonstrates that Newfoundland Power has  
21 adequately assessed alternatives, including non-wire alternatives and repair alternatives, when  
22 determining whether a program or project should be proposed in its 2025 Capital Budget. The  
23 Board finds that Newfoundland Power is in compliance with the Guidelines with respect to cost-  
24 benefit analyses and its use of net present value analyses. The Board also notes that  
25 Newfoundland Power has filed information in this proceeding addressing its consideration of  
26 non-wires alternatives in its distribution planning process.<sup>46</sup> With respect to repair alternatives,  
27 the Board agrees with Hydro that utilizing repair options where appropriate can more favourably  
28 balance reliability with cost. The Board will continue to review Newfoundland Power's proposed  
29 capital expenditures to ensure Newfoundland Power has fully considered and assessed the  
30 appropriateness of repair alternatives.

#### 31 32 **4.4.2. Use of Historical Averages**

33  
34 The Consumer Advocate submitted that the proportion of programs that use historical averages  
35 for budget estimation is quite high. The Consumer Advocate submitted that Newfoundland  
36 Power has 22 programs representing \$61.7 million of its total 2025 Capital Budget for which the  
37 historical average method is used. In comparison, only four of Hydro's programs' estimates  
38 (representing \$14.8 million for 2025F) are based on historical averages. The Consumer Advocate  
39 submitted that Newfoundland Power uses historical averages for an excessive proportion of its

---

<sup>43</sup> Newfoundland Power Submission, pages 13-14.

<sup>44</sup> Hydro Submission, page 1.

<sup>45</sup> Newfoundland Power Submission, page 6.

<sup>46</sup> Newfoundland Power Reply to Consumer Advocate's Request for Oral Hearing, pages 6-7.

1 budget estimates and risks perpetuating spending levels by avoiding careful scrutiny of capital  
2 spending while providing no incentive for cost-cutting.<sup>47</sup>

3  
4 Newfoundland Power responded that its use of historical averages for capital projects is  
5 reasonable and consistent with accepted Canadian utility practice and with other Atlantic  
6 Canadian utilities. Newfoundland Power submitted that programs make up 48% of its total 2025  
7 capital budget amount compared to 50% of Maritime Electric's 2024 proposed capital  
8 expenditures and 46% of Nova Scotia Power's 2023 Annual Capital Expenditure Plan for similar  
9 types of work. Newfoundland Power did not agree with the comparison drawn by Consumer  
10 Advocate between Newfoundland Power and Hydro because it submitted that Hydro defines its  
11 programs as only those expenditures that are expected to continue indefinitely. Newfoundland  
12 Power submitted that it defines programs as capital investments related to high-volume,  
13 repetitive work that is required on an ongoing basis.

14  
15 The Board is satisfied with the evidence filed with respect to Newfoundland Power's historical  
16 averaging methodology, including Newfoundland Power's submissions, RFI responses, and the  
17 report filed with the Application in accordance with Board Order No. P.U. 2(2024). The Board  
18 does not find it necessary to provide any further direction to Newfoundland Power with respect  
19 to its use of historical averages for budget estimation. However, the Board does recognize that  
20 Newfoundland Power has an extensive number of programs. While the Board approves the  
21 proposed 2025 Capital Budget, it requests Newfoundland Power to place greater consideration  
22 in future capital budget applications on the program and project characteristics as set out in the  
23 Guidelines to ensure that capital expenditures are categorized appropriately.<sup>48</sup>

#### 24 25 **4.4.3. Control Over Capital Spending**

26  
27 The Consumer Advocate submitted that despite large capital budgets in recent years, equipment  
28 failures are increasing, and in many cases, reliability has worsened following major project  
29 upgrades. The Consumer Advocate submitted that this suggests that capital budgets are  
30 improperly prioritized and Newfoundland Power should be required to explain how, and if, senior  
31 management is exercising control over capital spending to optimize rate impacts on customers.<sup>49</sup>  
32 The Consumer Advocate also made comments about the context of Newfoundland Power's  
33 capital spending, citing ongoing rate pressures and "the relentless trajectory of significant capital  
34 budget costs year over year."<sup>50</sup> The Consumer Advocate submitted that capital expenditures  
35 need to be limited to what is absolutely necessary and fully justified, and suggested that  
36 expenditures could be reduced without a detrimental impact on reliability.<sup>51</sup> Finally, the  
37 Consumer Advocate submitted that the Board must remain aware of the rate mitigation plan put

---

<sup>47</sup> Consumer Advocate Submission, page 10.

<sup>48</sup> Guidelines, Part II. B. Projects and Programs, page 12.

<sup>49</sup> Consumer Advocate Submission, page 5.

<sup>50</sup> Consumer Advocate Submission, page 3.

<sup>51</sup> Consumer Advocate Submission, pages 3-4.

1 in place by the provincial government and should not allow Newfoundland Power's increased  
2 spending to undermine the rate mitigation objective of reasonable and affordable rates.<sup>52</sup>

3  
4 Newfoundland Power replied that it manages its capital expenditures through a comprehensive  
5 capital planning process that applies sound engineering and objective data to determine which  
6 expenditures are required annually to provide customers with access to safe and reliable service  
7 at the lowest possible cost. Newfoundland Power submitted that in its view, maintaining current  
8 levels of service reliability is least cost for customers and that customers would incur incremental  
9 costs if Newfoundland Power were to seek to materially improve or degrade system reliability.  
10 Newfoundland Power submitted that it continues to focus on managing capital expenditures  
11 while maintaining service reliability for customers, and that its capital investments are consistent  
12 with other Atlantic Canadian utilities.<sup>53</sup>

13  
14 The Board notes the balancing of costs and reliability is fundamental to the provision of least-  
15 cost power and must be considered by all parties. Recognizing the importance of this balance the  
16 Board directed Newfoundland Power, in Order No. P.U. 3(2025), to initiate the development of  
17 a strategic plan regarding its approach to balancing cost and reliability with the proposed scope  
18 being filed with the Board on or before October 15, 2025. Also, as referenced in Newfoundland  
19 Power's 2025-2026 General Rate Application, Newfoundland Power is currently undertaking a  
20 comprehensive asset management review which would be expected to include a review of its  
21 current practices relating to capital planning as well as its other maintenance practices and  
22 programs. The Board notes that Newfoundland Power, in this Application, acknowledged lessons  
23 learned with respect to control over recent capital spending from the Transmission Line 94L  
24 Rebuild project regarding project execution and these lessons will be used in other transmission  
25 line rebuilds. The Board accepts that Newfoundland Power has sufficiently justified its 2025  
26 capital expenditures and will continue to monitor Newfoundland Power's progress concerning  
27 asset management and the balancing of its costs and reliability.

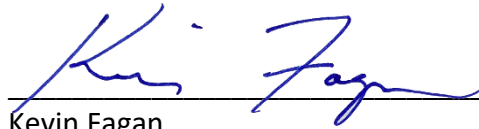
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<sup>52</sup> Consumer Advocate Submission, pages 18-19.

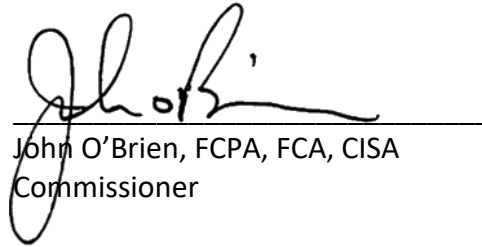
<sup>53</sup> Newfoundland Power Submission, pages 8-9.



**DATED** at St. John's, Newfoundland and Labrador this 27<sup>th</sup> day of January 2025.



Kevin Fagan  
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA  
Commissioner



Christopher Pike, LL.B., FCIP  
Commissioner



Jo-Anne Galarneau  
Executive Director and Board Secretary

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