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October 29, 2024

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland Power's 2025 Capital Budget Application – Consumer Advocate's Request for Oral Hearing – Newfoundland Power's Reply

1.0 INTRODUCTION

Newfoundland Power Inc. ("Newfoundland Power" or the "Company") filed its *2025 Capital Budget Application* (the "2025 Capital Budget" or the "Application") on June 28, 2024. On October 25, 2024, the Consumer Advocate requested that the Board of Commissioners of Public Utilities (the "Board") hold an oral hearing on the Application (the "Consumer Advocate's Request"). Newfoundland and Labrador Hydro ("Hydro") did not request an oral hearing on the Application. The Board set October 29, 2024 as the date for Newfoundland Power to reply to the Consumer Advocate's Request.

The Board's procedure for hearing a public utility's annual capital budget is governed, in part, by its *Capital Budget Application Guidelines (Provisional)*, effective January 2022 (the "Provisional Guidelines").¹ The Provisional Guidelines state that annual capital budget applications will normally be conducted through a public written hearing process. The Provisional Guidelines further state that an oral hearing may be held at the Board's discretion where the Board determines that an oral hearing is necessary to assist the Board in gaining a full understanding of the issues to be decided in the application.²

¹ The Provisional Guidelines were established by the Board as part of an ongoing review process that involves Board staff, Newfoundland Power, Hydro and the Consumer Advocate. The Provisional Guidelines provide additional avenues for intervention, including the formal inclusion of an introductory presentation, intervenor expert reports, and a second round of requests for information, which afford intervenors additional opportunities to add to the evidentiary record.

² Provisional Guidelines, page 4 of 18.

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The Board's public written hearing process has been the subject of two applications for leave to appeal to the Court of Appeal of Newfoundland and Labrador (the "Court of Appeal") by the Consumer Advocate in recent years.³ In its 2021 decision denying leave, the Court of Appeal stated:

*The Board's choice of procedure allowed for an open and transparent process, appropriate to the capital budget decision, with reasonable opportunity for those affected, including the Consumer Advocate, to participate.*⁴

In its 2022 decision denying leave, the Court of Appeal cited with approval its 2021 conclusions on the sufficiency of the Board's public written hearing process and further stated:

*The Board is authorized to choose its own process and has expertise in assessing Newfoundland Power's annual capital expenditures budget.*⁵

As in 2021 and 2022, the Board's public written hearing of Newfoundland Power's *2025 Capital Budget Application* has been a robust, comprehensive process. It has included a comprehensive written filing with detailed evidence supporting the proposed expenditures, an introductory presentation, and two rounds of requests for information ("RFIs"), the second of which afforded intervenors the opportunity to request further clarification and to ensure completeness of the evidentiary record.

A technical conference was requested by the Consumer Advocate on September 20, 2024. By way of correspondence dated September 26, 2024, the Board determined that the request for a technical conference did not meet the technical conference requirements as set out in the Provisional Guidelines. Additionally, the Board determined that the second round of RFIs would allow the parties to place sufficient information on the record to gain a full understanding of the issues.⁶ A total of 336 enumerated RFIs have been answered as part of this proceeding.

Newfoundland Power disagrees with the Consumer Advocate that an oral hearing is necessary to ensure the Board's transparent, effective oversight of capital expenditures. The Board has observed that oral hearings can be costly and that these costs are passed on to customers.⁷ The principle of regulatory efficiency requires a determination of whether an oral hearing would be in customers' best interests. Newfoundland Power submits that the evidentiary record of this

³ In 2021, the Consumer Advocate sought leave to appeal Board Order P.U. 12 (2021) due to the absence of an oral hearing. In 2022, the Consumer Advocate sought leave to appeal the Board's established capital budget procedure based, in part, on the Board's refusal to direct an oral hearing. In each case, leave to appeal was denied.

⁴ *Consumer Advocate v Board of Commissioners of Public Utilities*, 2021 NLCA 50, at paragraph 26.

⁵ *Consumer Advocate v Board of Commissioners of Public Utilities*, 2022 NLCA 39, at paragraph 37.

⁶ Correspondence from the Board dated September 26, 2024, *Response to Consumer Advocate's Request for Technical Conference*.

⁷ See the Board's correspondence to the Consumer Advocate regarding *Newfoundland Power Inc. – 2022 Capital Budget Application*, June 25, 2021.

proceeding is sufficient for the Board to gain a full understanding of the Application's proposals and, as such, an oral hearing would result in additional costs to customers with no benefit.

This response addresses the specific issues raised in the Consumer Advocate's Request.

2.0 NEWFOUNDLAND POWER'S RESPONSE

Newfoundland Power observes that, in the Consumer Advocate's Request, the Consumer Advocate has misstated the amount of the proposed 2025 Capital Budget. As repeated elsewhere on the record, proposed capital budget expenditures for 2025 total \$127,951,000.⁸

The Consumer Advocate's Request outlines 12 specific issues proposed to be interrogated during an oral hearing. Newfoundland Power addresses each of the Consumer Advocate's enumerated issues below.

Issue 1

The Consumer Advocate suggests that Newfoundland Power's capital budgets are improperly prioritized, and that the Company should be required to explain how senior management is exercising control over capital spending.⁹

The 2025 Capital Budget contains detailed information demonstrating why each project therein is justified. Additionally, the Application demonstrates that all proposals are reasonable and necessary for the provision of least cost reliable service. Newfoundland Power employs a variety of measures to ensure that all capital expenditures included in the 2025 Capital Budget are executed in a manner that is least cost for customers. One such measure is the assessment of all reasonable alternatives for capital projects. This includes both alternatives to the scope of a capital expenditure, such as like-for-like replacement or upgrade, and alternatives that could result in the deferral of capital expenditures.¹⁰ When multiple viable alternatives are identified, a net present value analysis is conducted to identify the least cost solution.¹¹ The record also shows that Newfoundland Power's investment in transmission and distribution assets has increased at a rate lower than the average of other Atlantic Canadian utilities over the five- and ten-year periods, ending in 2022.¹²

⁸ See Newfoundland Power's *2025 Capital Budget Application*, paragraph 9(a) and the responses to RFIs CA-NP-002, CA-NP-057 and CA-NP-193.

⁹ Consumer Advocate's Request, page 2.

¹⁰ The 2025 Capital Budget included five capital projects that were planned for 2025 but have been deferred to future years, as well as four capital projects that were previously deferred or modified and are now proposed for 2025. See the Company's *2025 Capital Budget Overview, Appendix B* for the list of capital projects that were deferred, modified or advanced.

¹¹ See the response to CA-NP-081, part a)

¹² See Newfoundland Power's *2025 Capital Budget Application, 2025 Capital Budget Overview*, page 13 and the response to RFI PUB-NP-014.

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Increased equipment failures are not due to improperly prioritized capital budgets, but rather are reflective of aging and deteriorating infrastructure, as well as more frequent and severe weather events.¹³ Investment priorities identified in Newfoundland Power's *2025-2029 Capital Plan* reflect an increased focus on the planned refurbishment of assets to extend their useful lives and the replacement of assets that become deteriorated or fail in service.¹⁴

Newfoundland Power submits that all proposed capital expenditures in the 2025 Capital Budget have been justified, consistent with the Provisional Guidelines. No additional relevant evidence would be forthcoming through oral testimony. An oral hearing on this matter is therefore not required.

Issues 2 and 3

The Consumer Advocate's issues two and three pertain to various aspects of the Company's asset management practices.

The Consumer Advocate states that the Company should be required to show that it is taking the necessary steps to meet the requirements set out in the Provisional Guidelines, or otherwise explain why it is not doing so.¹⁵ Newfoundland Power has met the information requirements of the Provisional Guidelines when the required information is available. Consistent with section V.A.1.b of the Provisional Guidelines, where the Company is not able to provide the required information, it has provided an explanation as to why the information cannot be provided, as well as the basis upon which the proposals should be approved in its absence.¹⁶

With respect to the Company's Asset Management Update Report, the Consumer Advocate states that "*The Board would benefit from hearing an oral cross-examination of Newfoundland Power staff about the ongoing asset management review to determine if it is consistent with changes going on in the industry...*" and "*...such cross-examination would benefit the Board as it moves to finalize the Capital Budget Application Guidelines.*"¹⁷

Newfoundland power submits that oral cross-examination will not elucidate any information on its asset management review that has not already been placed on the record of this proceeding.

Newfoundland Power commenced a review of its asset management practices in 2022. The Company has provided intervenors with a copy of its asset management framework, as well as an update on the progress of the review.¹⁸ The framework provides information on asset management practices and current industry experience, establishes the context in which

¹³ See the response to RFI CA-NP-074, part f).

¹⁴ See the response to RFI CA-NP-146.

¹⁵ Consumer Advocate's Request, page 3.

¹⁶ See the response to RFI CA-NP-146.

¹⁷ Consumer Advocate's Request, page 3.

¹⁸ See the response to RFI PUB-NP-016, Attachment A filed in relation to the Company's *2024 Capital Budget Application*, and Appendix B of the Company's *2025-2029 Capital Plan*.

Newfoundland Power's review is being completed, and outlines the Company's milestones and schedules associated with the review. The record of this proceeding also includes information on changes implemented to date, major milestones, and progress updates on milestones reached.¹⁹ In conjunction with the asset management review, the Company has also furnished the record with detailed information surrounding the replacement of its current asset management technology.²⁰ The Company submits that it has provided comprehensive information on the scope and status of its asset management review, and would not be in a position to provide any greater detail in oral testimony.

The Board has established a separate process for consideration of its overall capital budget approval process. The Board's *Capital Budget Applications Guidelines Review* (the "Guidelines Review") was established in 2019. The Guidelines Review resulted in the development and implementation of the Provisional Guidelines in January 2022. The Guidelines Review has not concluded, and the capital budget guidelines have yet to be finalized.²¹

The Company submits that an oral hearing with cross-examination of Newfoundland Power staff, with respect to asset management or the Provisional Guidelines, would be of no assistance to the Board in understanding and determining the individual capital programs and projects proposed in the 2025 Capital Budget. An oral hearing on these matters is therefore not required.

Issues 4 and 5

The Consumer Advocate's issues four and five pertain to the Company's distribution planning and non-wires alternatives ("NWA's").

The Consumer Advocate asserts that in the absence of a 5-year Distribution Expansion Plan "*it is not possible to determine if the capital budget application adequately addresses and assess the needs of NP's customers, particularly as they relate to government net-zero emissions and electrification efforts.*"²² The Consumer Advocate further asserts that Newfoundland Power should be required to explain that it is adequately assessing environmentally friendly NWAs.²³

Newfoundland Power submits that the evidence filed on the record of this proceeding thoroughly addresses the issues outlined by the Consumer Advocate.

¹⁹ See, for example, the responses to RFIs PUB-NP-040, PUB-NP-041, CA-NP-038 and CA-NP-075.

²⁰ See, for example, the responses to RFIs PUB-NP-040, PUB-NP-041, PUB-NP-042, PUB-NP-043, PUB-NP-045, PUB-NP-046, PUB-NP-047, PUB-NP-048, CA-NP-146 and CA-NP-147.

²¹ In its correspondence on December 20, 2021, the Board stated, "*Before the provisional guidelines are finalized and the review is concluded, the Board will seek further input from the participants.*" See also the Board's correspondence dated June 12, 2023, wherein the Board indicated that it would continue to review comments from the parties on potential guidelines changes.

²² Consumer Advocate's Request, page 3.

²³ Consumer Advocate's Request, page 4.

Newfoundland Power's distribution planning processes, documentation, and participation in industry organizations and with peers ensures proper planning of the distribution system.²⁴ The Company's *Distribution Planning Guidelines* contain information on Newfoundland Power's distribution system planning criteria, distribution automation policy, and net metering requirements. The *Distribution Planning Guidelines*, as well as the Company's asset management policies and practices, and forecasts for new customer connections and load growth, are used in developing the five-year plan outlined in the Application and the *2025-2029 Capital Plan*.²⁵

The Company's current distribution planning processes further the objectives of providing safe and reliable least-cost service to customers in an environmentally responsible manner. Newfoundland Power submits that an oral cross-examination on the Company's distribution planning would not elucidate any relevant information for the purposes of this proceeding. An oral hearing on issue four would not be in the interest of regulatory efficiency.

The 2025 Capital Budget has two projects where NWAs are relevant to the assessment of alternatives: the proposed *2025 Feeder Additions for Load Growth* project and the proposed *Gander Substation Power Transformer Replacements* project. These projects are addressed in Report 1.1 *Feeder Additions for Load Growth* and Report 3.1 *Gander-Twillingate Transmission System Planning Study*, respectively.

Report 1.1 *Feeder Additions for Load Growth* demonstrates that the feeders proposed for upgrade in 2025 are currently overloaded. The analysis of alternatives demonstrates that the recommended alternative is the least-cost solution to address current overload conditions.²⁶ Commercial-grade battery storage was considered as an alternative to mitigate the two overload conditions outlined in the *Feeder Additions for Load Growth* project; however, for each overload condition assessed, battery storage was determined not to be a least-cost solution.²⁷ Due to the magnitude of the existing overloads on the feeders, deferring the upgrades to a future period when utility-scale battery systems may become least cost is not possible.²⁸ Doing so would expose customers on these distribution feeders to unnecessary risk of outages.

²⁴ See the response to RFI CA-NP-205.

²⁵ See the response to RFI CA-NP-028. See also the responses to RFIs PUB-NP-027, PUB-NP-074 and PUB-NP-091 filed in relation to Newfoundland Power's *2025/2026 General Rate Application* for information related to the Company's energy solutions and conservation and demand management initiatives.

²⁶ Commercial-grade battery storage was considered as an alternative to mitigate the two overload conditions outlined in the *2025 Feeder Additions for Load Growth* project. For each overload condition assessed, battery storage was determined not to be a least-cost solution.

²⁷ See the response to RFI CA-NP-186.

²⁸ Newfoundland Power's consideration of NWAs was assessed as part of its *2022 Capital Budget Application*. In Order No. P.U. 36 (2021) Reasons for Decision, the Board stated, "The Board's responsibility in this Application is to assess Newfoundland Power's proposed capital expenditures for 2022 based on the best information available at this time in the context of current circumstances, including available technology, the existing system and the regulatory framework in which Newfoundland Power operates."

Similarly, report 3.1 *Gander-Twillingate Transmission System Planning Study* demonstrated that the recommended alternative is the least-cost solution that meets all required technical criteria.²⁹

Newfoundland Power submits that the record of this proceeding provides a level of information on NWA's adequate for the Board to have a full understanding of the Application's proposals. No additional relevant evidence would be forthcoming through oral testimony. An oral hearing on issue five is therefore not required.

Issue 6

The Consumer Advocate states that Newfoundland Power should be required to explain how maintaining current levels of reliability is least cost and consistent with the value customers place on reliability.³⁰ The record of this proceeding provides a detailed explanation of the Company's view on the relationship between cost and service reliability.³¹

Newfoundland Power has a statutory obligation to provide safe, adequate and reliable electrical service to customers at the lowest possible cost. The Board has recognized that fully justified capital expenditures contribute to the delivery of least cost service to customers.³² The Company has had consistent customer satisfaction and reliability performance over the last decade.³³

System reliability is maintained through justified capital expenditures, as proposed in annual capital budget applications and as approved by the Board. The Company's capital planning process is a deliberate effort to balance the cost and reliability of service provided to customers.³⁴ In Newfoundland Power's view, maintaining current levels of reliability is least cost for customers when compared to (i) increasing reliability, or (ii) allowing reliability to downgrade.³⁵ If Newfoundland Power were to seek to improve or degrade system reliability, customers would incur incremental costs. This is not, as the Consumer Advocate suggests, a "circular argument." Failure to maintain the Company's electrical system (i.e., seeking to degrade system reliability) would result in increased equipment failures and customer outages, which in turn would result in increased expenditures.³⁶

²⁹ Newfoundland Power's *2025 Capital Budget Application*, 3.1 *Gander-Twillingate Transmission System Planning Study*, table 9, page 22 and page 25.

³⁰ Consumer Advocate's Request, page 5.

³¹ See, for example, the responses to RFIs CA-NP-015, CA-NP-019 and CA-NP-071.

³² See Order No. P.U. 7 (2002-2003), in which the Board stated: "*From a regulatory perspective, efficient operations, fully justified capital expenditures and a low cost capital structure all combine to minimize revenue requirement, and hence provide least cost electricity to ratepayers.*"

³³ See the response to CA-NP-004, part b) filed in relation to the Company's *2025/2026 General Rate Application*.

³⁴ For additional information see Newfoundland Power's *2025 Capital Budget Application*, *2025 Capital Budget Overview*, Section 2.3 *Balancing Cost and Service*.

³⁵ See the response to RFI CA-NP-015, part a).

³⁶ See the response to RFI CA-NP-081. See also, CA-NP-064, part d).

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Newfoundland Power is focused on maintaining current levels of reliability for its customers.³⁷ Further, there are several factors that could cause a risk to the level of reliability being experienced by customers. These include, but are not limited to, aging infrastructure; increased weather events; bulk transmission reliability; and electrification initiatives.³⁸ Given these risks to the Company's ability to manage system reliability, allowing reliability performance to degrade over time would not be prudent, nor would it contribute to the delivery of least-cost electrical service to customers.

Newfoundland Power submits that the record surrounding the issue of reliability is sufficiently robust for the Board to make its determinations on this proceeding, and that an oral hearing on this matter is therefore not required.

Issues 7 and 10

The Consumer Advocate's issues seven and ten pertain to metering.

With respect to issue seven, the Consumer Advocate states that Newfoundland Power "*should be required to explain that its investments in meters, and all assets for that matter, have a low probability of becoming stranded.*"³⁹ With respect to issue ten, the Consumer Advocate argues that the Company should be required to explain how the province of Newfoundland and Labrador is not being "left behind" as other provinces implement Advanced Metering Infrastructure ("AMI").⁴⁰

Newfoundland Power considers the risks of assets becoming stranded in preparing its annual capital budget application, including due to advancements in technology and distributed generation.⁴¹ The Company recognizes that emerging technologies may become consistent with the least-cost delivery of reliable service to customers in the future. In the context of meters, Newfoundland Power would consider the risk of asset stranding in the development of any future business case to implement new meter AMI technology to ensure it is least cost for customers.

The issue of AMI technology has been explored in detail throughout both rounds of RFIs.⁴² AMI technology was also the subject of interrogation during the Company's *2025/2026 General Rate*

³⁷ Further, as explained in the response to RFI CA-NP-015, Newfoundland Power does not target a SAIDI level that is 40% better than the Canadian average. The Company sets its annual SAIDI reliability target based on its reliability performance over the most recent five-year period. Canadian average reliability performance data is not used in determining the Company's SAIDI reliability target.

³⁸ See the response to RFI CA-NP-081, part b). See also the response to PUB-NP-002 filed in relation to the Company's *2024 Capital Budget Application*.

³⁹ Consumer Advocate's Request, page 6.

⁴⁰ Consumer Advocate's Request, page 7.

⁴¹ For additional information, see the response to RFI CA-NP-044.

⁴² See, for example, the responses to RFIs CA-NP-015, CA-NP-016, CA-NP-093, CA-NP-138, CA-NP-246 and CA-NP-247.

Application ("2025/2026 GRA"), in which the Board has yet to issue an order.⁴³ As repeated elsewhere on the record of this proceeding, the implementation of AMI technology is not least cost for Newfoundland Power customers at this time.⁴⁴ The Company has stated that it will reassess the viability of AMI regularly as new information becomes available.⁴⁵ Ongoing studies currently being conducted by Newfoundland Power, such as rate design, load research, and the potential study will help inform a business case for AMI technology.⁴⁶ Newfoundland Power notes that there are no capital expenditures associated with AMI included in the 2025 Capital Budget.

The Company submits that, given the extensive evidence currently on record with respect to AMI and the fact that there are no capital expenditures associated with AMI included in the 2025 Capital Budget, an oral hearing on these matters is not required.

Issue 8

The Consumer Advocate states that the Company should be required to explain why using historical averages for budget estimation with annual inflation would not be appropriate.⁴⁷

The Company's use of historical averages was interrogated during review of its *2024 Capital Budget Application*. As required in Board Order No. P.U. 2 (2024) Reasons for Decision, the Company included a report on its use of historical averages as part of its 2025 Capital Budget.⁴⁸ As noted by the Board in its response to the Consumer Advocate's request for a technical conference, further information was provided on this report in the first round of RFIs and the second round of RFIs afforded the parties the opportunity to seek additional information.⁴⁹

The record of this proceeding provides comprehensive information on Newfoundland Power's use of historical averages.⁵⁰ As stated in *Use of Historical Averages for Budget Estimating* report, Newfoundland Power currently uses historical averages for its capital programs, which include routine capital expenditures driven by customer requests, equipment failures on the power system or that would otherwise be identified through inspections conducted in the normal course of business.⁵¹ This methodology, which provides a budget estimate using the

⁴³ As part of the *2025/2026 General Rate Application*, the Consumer Advocate filed expert evidence of C. Douglas Bowman and Newfoundland Power filed rebuttal evidence on the issue of AMI. See the *Pre-Filed Evidence of C. Douglas Bowman*, April 17, 2024, pages 7-9 and 39-40, and Newfoundland Power's *Rebuttal Evidence*, May 28, 2024, pages 46-49.

⁴⁴ See the response to RFI CA-NP-093.

⁴⁵ Ibid.

⁴⁶ For additional information on the potential study, see the response to RFI CA-NP-247, part a).

⁴⁷ Consumer Advocate's Request, page 6.

⁴⁸ Newfoundland Power's *2025 Capital Budget Application, Use of Historical Averages for Budget Estimations*.

⁴⁹ Correspondence from the Board dated September 26, 2024, *Response to Consumer Advocate's Request for Technical Conference*.

⁵⁰ See for example RFIs PUB-NP-021, PUB-NP-022, PUB-NP-023, PUB-NP-024, PUB-NP-025, PUB-NP-026, PUB-NP-027, PUB-NP-028, CA-NP-096, CA-NP-097, CA-NP-098, CA-NP-099, CA-NP-100, CA-NP-101 and CA-NP-218.

⁵¹ Newfoundland Power's *2025 Capital Budget Application, Use of Historical Averages for Budget Estimating*, page 1.

Company's historical expenditures and inputs from independent third parties, has remained substantially the same since 2000.⁵² The record of this proceeding demonstrates that Newfoundland Power's use of historical averaging for capital projects is consistent with accepted Canadian utility practice.⁵³

Actual expenditures are driven by the actual amount of work required in the budget year. As such, the Consumer Advocate's assertion that capital spending would be substantially reduced if it were capped at the previous 3- or 5- year averages of capital spending is without merit. The Company's longstanding budgeting methodology ensures that variations in year-over-year expenditures, such as those that may result from the use of improved technology, will be factored into the budget for the upcoming year.

Oral testimony is not necessary to expand on the current record surrounding the use of historical averages, nor would it be in the interest of regulatory efficiency. An oral hearing on this matter is therefore not required.

Issue 9

The Consumer Advocate appears to take issue with the fact that Newfoundland Power was unable to provide information on the cost to build a residential single-family home, when proposing the *Port Union Building Replacement* project at a cost of \$1.3 million.⁵⁴

The replacement of the Port Union building (the "Facility") is not comparable to the construction of a residential single-family home of a similar building size in Port Union. The Facility is Newfoundland Power's centre of operations for the Bonavista area, providing service to 5,903 customers, from Bonavista in the north to Charleston in the south.⁵⁵ As outlined in report *5.1 Port Union Building Replacement*, the Facility provides support for nine employees, four of whom use the Facility as their daily headquarters and five of whom use the Facility part time while completing work in the area.

All capital expenditures proposed by the Company, including those proposed in the *Port Union Building Replacement* project, undergo scrutiny and interrogation to ensure that they are justified and in the best interests of customers. Report *5.1 Port Union Building Replacement* provides an assessment of alternatives which determined that replacing the Facility is the least-cost alternative compared to refurbishing the existing facility.

The record of this proceeding contains sufficient information for the Board to make its determination with respect to the *Port Union Building Replacement* project. No additional

⁵² Ibid, footnote 4.

⁵³ Newfoundland Power's *2025 Capital Budget Application, Use of Historical Averages for Budget Estimations*, page 5. See also the response to RFI PUB-NP-027.

⁵⁴ Consumer Advocate's Request, page 6.

⁵⁵ See the response to RFI CA-NP-142.

relevant information on this issue would be forthcoming through oral testimony. An oral hearing on this matter is therefore not required.

Issue 11

The Consumer Advocate states that Newfoundland Power should be required to explain why capital budget envelopes are inappropriate.⁵⁶

The issue of capital budget envelopes was canvassed by the Consumer Advocate in both rounds of RFIs.⁵⁷ Newfoundland Power has previously stated, and maintains, its position on the use of capital budget envelopes, as referenced by Midgard Consulting (“Midgard”).⁵⁸ As noted in the Consumer Advocate’s Request, the Midgard report is part of a separate ongoing Board process.⁵⁹

Newfoundland Power submits that the record of this proceeding as it relates to capital budget envelopes is comprehensive, and that no additional relevant evidence would be forthcoming through oral testimony. An oral hearing on this matter is therefore not required.

Issue 12

The Consumer Advocate states that Newfoundland Power ought to explain whether Fortis Inc.’s (“Fortis”) declared capital budget policy shapes the Company’s capital budget.⁶⁰ As noted by the Board, this issue has been raised by the Consumer Advocate in several of Newfoundland Power’s recent capital budget applications, and the evidence in each case showed that Fortis is not involved in Newfoundland Power’s capital planning.⁶¹

Capital planning at Newfoundland Power is not influenced by Fortis, and Fortis was not involved in the development of the Company’s 2025 Capital Budget. The Company’s capital planning process determines which expenditures are required annually to provide customers with access to safe and reliable service at the lowest possible cost in an environmentally responsible manner. Newfoundland Power’s capital plans, including the *2025-2029 Capital Plan*, are publicly available.

Newfoundland Power is not involved in the calculations of Fortis’ rate base, nor the preparation of Fortis’ growth forecasts. As such, the Company is unable to provide details to the Consumer Advocate on how Fortis uses the information contained in Newfoundland Power’s capital plan.

⁵⁶ Consumer Advocate’s Request, page 7.

⁵⁷ See the responses to CA-NP-101 and CA-NP-251.

⁵⁸ See the response to CA-NP-251. See also the response to CA-NP-134 filed in relation to the Company’s *2024 Capital Budget Application*.

⁵⁹ Consumer Advocate’s Request, page 7.

⁶⁰ Consumer Advocate’s Request, page 8.

⁶¹ Correspondence from the Board dated November 7, 2023, *Response to Consumer Advocate’s Request for Oral Hearing*, at page 8.

The Company submits that an oral cross-examination of Newfoundland Power personnel will have limited effectiveness in shedding light on how Fortis develops its forecasts, as Newfoundland Power personnel are not involved in these processes. As a result, an oral cross-examination would be of no assistance to the Board in determining the issues to be decided in this proceeding.

3.0 CONCLUSION

The Board's public written hearing process has provided the parties with comprehensive documentary evidence which fully supports all of the proposals in the Application. It has provided intervenors a full and fair opportunity to interrogate the Application's proposals. In Newfoundland Power's view, the Consumer Advocate's Request does not establish that an oral hearing is necessary to assist the Board in gaining a full understanding of the issues to be decided in the Application. The Consumer Advocate has not challenged the justification of any particular project or program proposed in the Application. The Company therefore submits that the Consumer Advocate's Request fails to demonstrate that an oral hearing is required to ensure that proposed 2025 capital expenditures are consistent with the provision of safe and reliable service to customers at least cost and in an environmentally responsible manner. Bearing the cost of an oral hearing would therefore not be in customers' best interests.

Based on the foregoing, it is the Company's view that the Consumer Advocate's request for an oral hearing is not justified and would not further the evidentiary record of this proceeding. The Company submits that the request should be denied.

Yours truly,



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Legal Counsel

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