

Q. (Reference Schedule B, Transmission Line Maintenance)

- a) In footnote 38 (page 110), it is stated that in 2023 labour costs previously included in GEC were allocated to this program. Please clarify the effect of that allocation on the figures in Table 1. In particular, was the approximate \$1 million increase in the 2023 figure compared to 2022 the result of that allocation? And was that allocation on a one-time basis or does it continue annually?
- b) Please explain why the 2026F figure of \$3,306,000 is approximately 13.6% higher than the 2025 inflation-adjusted figure of \$2,909,000.
- c) The requested amount of \$3,465,000 is approximately 10% higher than the average annual adjusted cost of \$3.1 million over 2022 to 2026F (page 110). Please explain this increase.
- d) Please provide the annual expenditure on the Transmission Line Maintenance program and on the Transmission Line Rebuild Strategy since 2006.
- e) How has the completion of work since 2006 through NP's Transmission Line Rebuild Strategy affected the cost of the Transmission Line Maintenance program?

- A.** a) Prior to 2023, the Company recorded pension costs within the *General Expenses Capitalized* ("GEC") capital project. As part of its *2022/2023 General Rate Application*, Newfoundland Power proposed removing pension costs from its GEC calculation and directly charging pension costs to capital projects by way of a labour loader.¹ This change was approved by the Board in Order No. P.U. 3 (2022). Accordingly, beginning in 2023, pension costs have been included in the internal labour recorded to capital projects and programs.

The primary reason for the increase in 2023 compared to 2022 was higher material and other non-labour costs. Actual expenditures for capital programs vary year over year depending on the nature of the work encountered.²

On a *pro forma* basis, total costs for the *Transmission Line Maintenance* program costs in Table 1, on page 110, would be approximately \$21k higher in 2022 if pension costs had been included.

- b) The 2025 forecast for *Transmission Line Maintenance* was \$4.2 million and included additional costs related to a large-scale work request.³ The 2026 budget for the *Transmission Line Maintenance* program was based on an inflation-adjusted historical average. Historical annual expenditures over the 5-year period from 2021 through 2025 forecast were adjusted to remove additional costs

¹ For additional information, see the Company's *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 6, Review of General Expenses Capitalized, Section 4.0 Pension Capitalization*.

² The *Transmission Line Maintenance* program includes both corrective and preventative maintenance.

³ See the *2026 Capital Budget Application, 2025 Capital Expenditure Status Report*, Appendix A, page 1.

1 related to a large-scale work request in 2025 and then inflation adjusted to
2 current-year dollars.

3
4 The average of these adjusted costs was used as the base year. The base year
5 was adjusted for the inflationary increases forecast for the budget year using the
6 Company's internal labour rate for labour costs and the GDP Deflator for Canada
7 for non-labour to determine the capital program budget for 2026.

8
9 As this is the first year that Newfoundland Power has included retreatment of
10 selected wood transmission poles with wood preservative, the estimate provided
11 through the averaging methodology was increased by \$250,000 to capture the
12 increased work scope.

- 13
14 c) The calculation of the estimate for the 2027 *Transmission Line Maintenance*
15 program was calculated according to the inflation-adjusted historical average
16 methodology described in part b) above.

17
18 The \$3.465 million estimate was obtained by applying the inflation adjustment to
19 the approximately \$3.1 million average and adding an additional adjustment of
20 \$250,000 to account for the inclusion of wood pole preservative retreatment
21 under the *Transmission Line Maintenance* program.⁴

- 22
23 d) Table 1 shows the annual expenditure on the *Transmission Line Maintenance*
24 program and on the *Transmission Line Rebuild Strategy* since 2006.

⁴ Newfoundland Power began retreating transmission poles with wood preservative in 2025 and retreatment has been included in the *Transmission Line Maintenance* program beginning in 2026.

Table 1 Annual Capital Expenditures (\$000)		
Year	Transmission Line Maintenance ⁵	Transmission Line Rebuild Strategy
2006	-	4,456
2007	-	4,440
2008	-	5,316
2009	-	4,491
2010	-	6,409
2011	-	5,261
2012	-	5,037
2013	-	5,539
2014	-	5,394
2015	-	6,073
2016	-	4,805
2017	-	6,364
2018	-	8,335
2019	-	10,912
2020	-	8,386
2021	2,404	8,715
2022	2,488	9,177
2023	3,449	10,453
2024	2,826	12,334
2025	3,754	12,771
Total	14,921	144,668

⁵ The *Transmission Line Maintenance* Program was established as a standalone capital program in 2023. Transmission line maintenance expenditures for 2021 and 2022 were recorded within the *Transmission Line Maintenance and Third-Party Relocations* capital program and are included in Table 1. Prior to 2021, transmission line maintenance activities were not recorded separately within a dedicated capital program.

- 1 e) The completion of work since 2006 under the *Transmission Line Rebuild Strategy*
2 ("the Strategy") has not directly affected the cost of the *Transmission Line*
3 *Maintenance* program, as these are implemented to target different issues across
4 the Company's transmission system. However, the work completed under the
5 Strategy has indirectly influenced the cost of the *Transmission Line Maintenance*
6 program, allowing it to remain relatively consistent.
7

8 The *Transmission Line Rebuild Strategy* originally submitted with Newfoundland
9 Power's *2006 Capital Budget Application* outlined a multi-year plan for rebuilding
10 the Company's aging and deteriorated transmission lines. The Strategy was
11 developed in response to the fact that many of the Company's transmission lines
12 were constructed in the 1940s, 50s and 60s, were aging, showing advanced signs
13 of deterioration and had not been designed to any particular standard.
14

15 The Strategy recognized the important role transmission lines play in providing
16 reliable service to customers. It outlined a structured approach to completing full
17 or substantial rebuilds of the Company's oldest and most deteriorated
18 transmission lines.
19

20 Newfoundland Power's *Transmission Line Maintenance* program involves the
21 replacement of transmission line infrastructure that has failed or is at risk of
22 failure, covering both corrective and preventative maintenance. The Company's
23 transmission lines are inspected annually to identify deficiencies, with those
24 deficiencies being prioritized for maintenance based on the severity of
25 deterioration observed.
26

27 Through the execution of the Strategy, Newfoundland Power has been able to
28 remove a large volume of deteriorated transmission assets from the system,
29 which otherwise would have been addressed through the *Transmission Line*
30 *Maintenance* program. Addressing these deficiencies through the Maintenance
31 program would have increased the cost of this program.