

- 1 **Q. (Reference 2024 Capital Expenditure Report) It is stated (page 1 of 17)**
2 **"Newfoundland Power's actual 2024 capital expenditures were \$137.4**
3 **million, resulting in a total variance of \$21.6 million, or 18.6%, from the 2024**
4 **capital budget amount of \$115.8 million."**
5 **a) What regulatory mechanism is in place to authorize NP to spend more than**
6 **its approved capital budget amount?**
7 **b) Is NP required to have Board approval for the 2024 variance to be included**
8 **in its rate base?**
9 **c) What feedback has NP received from the Board with respect to this**
10 **expenditure variance?**
11
12 **A.** a) Newfoundland Power is required to file its annual capital budget with the Board,
13 pursuant to section 41 of the *Public Utilities Act* (the "Act"). The Board may approve,
14 vary or deny elements of the proposed capital budget application. Once approved,
15 the budget provides authority for the Company to proceed with the projects and
16 programs included in the Board's order. The Act does not impose a cap on the
17 Company's actual capital expenditure.
18
19 b) No, the Company is not required to seek Board approval of variances between actual
20 and approved capital expenditures.¹ The Provisional Guidelines provide that
21 variances in actual results from approved budget amounts that are in excess of 10%
22 and \$100,000 require the utility to provide a full explanation of the reason for the
23 variance, setting out any change in scope, schedule and budget to the Board.²
24
25 In compliance with the Provisional Guidelines, Newfoundland Power filed its
26 *2024 Capital Expenditure Report* with the Board on April 1, 2025, including required
27 variance explanations and an overview section which provided additional details on
28 the 2024 capital expenditure variance, including specific drivers and the Company's
29 management of the 2024 capital expenditures.^{3,4}
30
31 c) As provided in part b), Newfoundland Power has complied with requirements of the
32 Provisional Guidelines with respect to the 2024 capital expenditure variance.
33 Newfoundland Power has not received specific correspondence from the Board
34 beyond those requirements.

¹ The Application does request the Board to fix and determine Newfoundland Power's average rate base for 2024, which would include 2024 actual capital expenditures.

² See the Provisional Guidelines, page 7 of 18.

³ The Company is required to file its annual Capital Expenditure Report no later than April 1st each year, pursuant to section 41(4) of the Act.

⁴ See Newfoundland Power's *2024 Capital Expenditure Report*, pages 1 to 4.