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

Attention: Mike McNiven
Senior Regulatory Advisor & Board Secretary

Re: Newfoundland Power Inc.'s 2027 Capital Budget Application – Newfoundland and Labrador Hydro's Submission

On May 29, 2026, Newfoundland Power Inc. ("Newfoundland Power") filed its 2027 Capital Budget Application ("CBA") with the Board of Commissioners of Public Utilities ("Board"). On June 24, 2026, Newfoundland and Labrador Hydro ("Hydro") filed its Notice of Intention to Participate and subsequently issued requests for information ("RFI") for additional detail on certain aspects of Newfoundland Power's CBA. Hydro's comments with respect to Newfoundland Power's 2027 CBA are as follows.

Hydro recognizes the importance of timely capital investment to maintain safe and reliable electrical service, particularly as utilities manage aging infrastructure and increasing asset replacement requirements. However, Hydro believes that capital investment decisions should reflect an appropriate balance of reliability, risk, and cost to customers. As such, utilities should consider opportunities to extend asset service lives through maintenance, repair, and refurbishment where technically and economically justified.

Portable Substation

Newfoundland Power's 2027 CBA proposes the acquisition of an additional portable substation at a total estimated cost of approximately \$9.9 million. Hydro recognizes the important role that portable substations play in supporting emergency response, planned transformer replacements, and other capital and maintenance activities.

Hydro notes that Newfoundland Power confirmed in its response to NLH-NP-002 that its existing fleet of four portable substations was sufficient to meet operational requirements between 2021 and 2025, with no identified instances where planned work or emergency response could not proceed due to the unavailability of a technically compatible portable substation. Further, in response to CA-NP-086, Newfoundland Power confirmed that its forecast does not identify a sustained portable substation capacity shortfall prior to 2030 and that overlapping requirements during this period can continue to be managed through work planning and scheduling.

Newfoundland Power's position is that the additional portable substation is required to address increasing future demand and maintain adequate emergency response capability. While Newfoundland Power has demonstrated that portable substations are important to managing transformer failures and planned replacement work, Hydro submits that the evidence has not demonstrated that the forecast

demand for portable-substation capacity is sufficiently certain to justify the proposed \$9.9 million addition at this time.

In particular, the projected capacity constraint beginning in 2030 depends in part on a transformer replacement forecast that Newfoundland Power acknowledges is a high-level planning guide rather than a fixed requirement.¹ Newfoundland Power has confirmed that the approximately three-transformer-per-year forecast is an age-based, long-term planning forecast, while actual replacement decisions are based on individual asset condition, risk and other operational considerations. Newfoundland Power has also confirmed that portable-substation requirements are based on the timing of planned capital work, including transformer replacements, together with maintenance and emergency-response requirements. These considerations introduce flexibility into both the timing of transformer replacement work and the resulting demand for portable-substation capacity.

Hydro notes the longstanding cooperation between the two utilities in sharing portable substation resources and believes that continued coordination of these assets can contribute to cost-effective system operations. While the availability of Hydro's portable substation cannot be assumed for Newfoundland Power's planning purposes, opportunities to optimize utilization of the collective resources should continue to be explored.

Hydro submits that the historical adequacy of Newfoundland Power's portable-substation fleet, together with the uncertainty associated with future utilization requirements and the ability to manage competing demands through planning and scheduling, supports continued monitoring of portable-substation utilization before committing to additional capacity. Hydro submits that Newfoundland Power has not sufficiently demonstrated that the proposed \$9.9 million investment is reasonably required at this time.

Substation Power Transformer Replacements

Hydro notes that Newfoundland Power's Substation Power Transformer Strategy contemplates the planned replacement of approximately three power transformers annually through 2052. As confirmed in Newfoundland Power's responses to RFIs PUB-NP-015 and NLH-NP-013, this forecast is informed by a statistical service-life study and is intended as a long-term planning guide rather than a fixed annual replacement target. Hydro considers this distinction important, as the statistical retirement characteristics of an asset population do not necessarily establish the optimal replacement timing for individual assets.

Hydro believes that the timing of transformer replacements should continue to be informed by individual asset condition, operating experience, risk assessments, and the availability of suitable repair and emergency response alternatives. In particular, Hydro believes Newfoundland Power should continue to evaluate the technical and economic viability of transformer repairs, including opportunities to extend the service lives of existing assets where their condition and associated reliability risks permit.

Hydro further believes that flexibility in the annual pace of transformer replacements should remain an important consideration in Newfoundland Power's capital planning process. Such flexibility may provide opportunities to prioritize the highest-risk assets, defer expenditures when justified by asset condition, and better coordinate transformer replacements with other planned capital and maintenance activities.

¹ Please refer to PUB-NP-015 of this proceeding.

Balancing Reliability and Capital Investment

Hydro recognizes Newfoundland Power's strong historical reliability performance, including performance that compares favourably with the Electricity Canada Region 2 average. As outlined in Newfoundland Power's 2027 Capital Budget Overview, its average annual SAIDI² for normal operations over the 2016–2025 period was approximately 2.6 hours, compared with approximately 4.2 hours for Electricity Canada Region 2 utilities.

Hydro notes that Newfoundland Power continues to invest in distribution infrastructure to improve reliability on feeders where performance is worse than its corporate average. As confirmed in response to RFI NLH-NP-018, Newfoundland Power has undertaken reliability improvement projects on feeders where SAIDI and/or SAIFI³ performance, while worse than Newfoundland Power's corporate average, was equal to or better than the Electricity Canada Region 2 average. Hydro acknowledges that broader industry benchmarks are not the sole determinant of whether capital investment is warranted, particularly where localized reliability concerns or deteriorating asset conditions exist. Nevertheless, Hydro believes that where reliability performance already compares favourably with broader industry benchmarks, particular consideration should be given to whether the incremental reliability benefits justify the associated costs to customers.

Hydro recognizes that capital planning requires an appropriate balance between maintaining reliability and ensuring that capital investments are made when they are reasonably required. In Hydro's view, consideration of asset condition, operational requirements, available alternatives and associated reliability benefits is important to achieving that balance. In this context, Hydro submits that the evidence does not demonstrate that the proposed \$9.9 million portable substation is reasonably required at this time.

Hydro does not have any objections to the remaining proposals in Newfoundland Power's 2027 CBA.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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Encl.

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² System Average Interruption Duration Index.

³ System Average Interruption Frequency Index.