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NEWFOUNDLAND POWER
A FORTIS COMPANY

October 29, 2026

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

Attention: Mike McNiven
Board Secretary

Dear Mr. McNiven:

Re: Newfoundland Power's 2027 Capital Budget Application – Submission of Newfoundland Power Inc.

Please find enclosed the Submission of Newfoundland Power in relation to the Company's *2027 Capital Budget Application*.

If you have any questions, please contact the undersigned.

Yours truly,

Dominic Foley

Dominic Foley
Legal Counsel

Enclosures

ec. Shirley A. Walsh
Newfoundland and Labrador Hydro

Adrienne Ding
O'Dea Earle

Newfoundland Power Inc.
55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6
PHONE (709) 737-5500, ext. 6200 • **FAX** (709) 737-2974 • **dfoley@newfoundlandpower.com**

IN THE MATTER OF the *Public Utilities Act* (the "Act"); 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 2027 Capital Budget; and
(b) fixing and determining its 2025 rate base.

SUBMISSION OF NEWFOUNDLAND POWER INC.

October 29, 2026

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1.0 INTRODUCTION

Newfoundland Power Inc. ("Newfoundland Power" or the "Company") filed its *2027 Capital Budget Application* (the "Application") with the Board of Commissioners of Public Utilities of Newfoundland and Labrador (the "Board") on May 29, 2026. The Company filed an amended application (the "Amended Application") on July 27, 2026.

The Amended Application seeks an order of the Board, pursuant to section 41 of the *Public Utilities Act*, approving single-year 2027 capital expenditures of $79,411,000 comprising projects and programs costing in excess of $750,000, single-year 2027 capital expenditures of $9,723,000 comprising projects and programs costing $750,000 and under, and multi-year capital expenditures for 2027, 2028 and 2029 totalling $9,551,000, $23,304,000 and $12,867,000, respectively. Including $50,664,000 in 2027 capital expenditures associated with multi-year projects previously approved by the Board, the 2027 Capital Budget totals $149,349,000.

The Amended Application also seeks an order of the Board, pursuant to section 78 of the *Public Utilities Act*, fixing and determining the Company's average rate base for 2025 in the amount of $1,419,718,000.

The principal focus of this proceeding is whether Newfoundland Power's 2027 Capital Budget of approximately $149.3 million is reasonably required to meet the Company's statutory obligations to serve its customers.

Newfoundland Power submits that its 2027 Capital Budget of approximately $149.3 million represents the capital expenditures which are necessary to maintain its electrical system and to continue meeting its statutory obligations.

This submission will: (i) review the legislative framework under which the Application is brought; (ii) summarize the procedural history of the Application; (iii) address issues raised in the submissions of the intervenors; and (iv) conclude with Newfoundland Power's submissions with respect to the Application.

2.0 LEGISLATIVE FRAMEWORK AND COMPLIANCE MATTERS

2.1 Legislative Framework

Section 37(1) of the *Public Utilities Act* states that a public utility shall provide service and facilities which are reasonably safe and adequate and just and reasonable. Section 37(1) is a cornerstone of Newfoundland Power's obligation to serve its customers.

Section 3(b) of the *Electrical Power Control Act, 1994* provides that all sources and facilities for the production, transmission and distribution of power should be managed and operated in a manner that would result in: (i) the most efficient production, transmission and distribution of power; (ii) customers having equitable access to an adequate supply of power; and (iii) power being delivered to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

Section 41(1) of the *Public Utilities Act* requires a public utility to submit, for the Board's approval, an annual capital budget of proposed improvements or additions to its property. Section 41(3), together with Newfoundland and Labrador Regulation 40/23, prohibits the

Company from proceeding with an improvement or addition to its property in excess of $750,000 without the Board's prior approval. Section 54(1) obligates a public utility, under specified conditions, to supply electrical energy to premises on being required by the owner or occupier of the premises to do so.

2.2 Compliance Matters

The Board issued the *Capital Budget Application Guidelines (Provisional)* (the "Provisional Guidelines") on December 20, 2021. The Provisional Guidelines provide direction on the classification, categorization, materiality and evidentiary requirements for proposed capital expenditures. With respect to required information, the Provisional Guidelines permit a utility, where it is not able to provide the information, to provide other "available information".[1] The Board noted that strict adherence to all aspects of the Provisional Guidelines may not be possible, and that stakeholders should make best efforts to respect the spirit and intent of the Provisional Guidelines.[2] The Application complies with the Provisional Guidelines.

In Order No. P.U. 38 (2025) (the "2026 Capital Order"), the Board required a status report on 2026 capital budget expenditures be filed with the Application. The Board also required an update on Newfoundland Power's review of the implementation of Advanced Metering Infrastructure ("AMI") to be filed with the Application. The Application complies with the requirements of the 2026 Capital Order.

[1] Provisional Guidelines, page 13 of 18.
[2] Correspondence from the Board *Re: Provisional Capital Budget Application Guidelines*, dated December 20, 2021, page 2.

3.0 PROCESS

On June 12, 2026, after receiving input from Newfoundland Power, Newfoundland and Labrador Hydro ("Hydro") and the Consumer Advocate, the Board issued a schedule of dates for hearing the Application (the "Review Schedule"). The Review Schedule provided for, among other items, an introductory presentation, the submission of requests for information ("RFIs"), the filing of intervenor evidence, and written submissions.

Newfoundland Power gave an introductory presentation on the Application on June 29, 2026. Board staff, Hydro and the Consumer Advocate attended the presentation.

Pursuant to the Review Schedule, on July 6, 2026, Newfoundland Power received 14 RFIs issued by the Board, 12 RFIs issued by Hydro, and 49 RFIs issued by the Consumer Advocate. In total, 75 RFIs were received. Newfoundland Power responded to these RFIs on July 27, 2026.

On August 3, 2026, the Consumer Advocate requested a technical conference on the 2027 Capital Budget. The Board granted this request on August 10, 2026. The technical conference was held on August 20, 2026, and addressed four issues identified by the Board and the Consumer Advocate. Board staff, Hydro and the Consumer Advocate were in attendance.

Pursuant to the Review Schedule, on August 27, 2026, an additional 10 RFIs were received from the Board, 7 RFIs were received from Hydro, and 41 RFIs were received from the Consumer Advocate. Newfoundland Power responded to these RFIs on September 17, 2026. A total of 133 enumerated RFIs have been answered as part of this proceeding.

On September 10, 2026, the Consumer Advocate filed a motion for an order directing an independent assessment of AMI. The Review Schedule made no provision for the filing of a motion. On October 2, 2026, the Board issued a separate schedule for comments from Newfoundland Power and Hydro on the Consumer Advocate's motion. On October 23, 2026, Newfoundland Power and Hydro filed comments on the motion as scheduled.

On October 16, 2026, Hydro filed its written submission on the Amended Application ("Hydro's Submission"). In its submission, Hydro objected to the procurement of a portable substation, and commented on substation power transformer replacements and reliability-driven distribution investments. Section 4 of this submission outlines Newfoundland Power's response to Hydro's Submission relating to the portable substation. Section 5 of this submission outlines Newfoundland Power's response to the remainder of Hydro's Submission.

On October 17, 2026, the Consumer Advocate filed its submission on the Amended Application (the "Consumer Advocate's Submission"). Section 4 of this submission outlines Newfoundland Power's response to the Consumer Advocate's Submission relating to the portable substation. Section 6 of this submission outlines Newfoundland Power's response to the remainder of the Consumer Advocate's Submission.

Neither Hydro nor the Consumer Advocate filed intervenor evidence in support of their respective submissions.

4.0 RESPONSE TO INTERVENORS' SUBMISSIONS ON PORTABLE SUBSTATION

This section relates to comments made in both Hydro's Submission and Recommendation #9 in the Consumer Advocate's Submission regarding the proposed procurement of a portable substation. Both parties oppose the approval of the proposed *Portable Substation* project.

Project Overview

The Amended Application proposes capital expenditures of $990,000 in 2027, $3,894,000 in 2028, and $5,049,000 in 2029, totaling $9,933,000 for the *Portable Substation* project.[3] The *Portable Substation* project is a three-year project that involves procuring a new portable substation to temporarily replace the functionality of a substation where a transformer is removed from service due to failure, planned maintenance, or capital replacement activities.[4]

The *Portable Substation* project is required to maintain the Company's ability to respond to substation equipment failures, reduce the risk of prolonged customer outages resulting from an insufficient emergency response capability, and support the continued delivery of safe and reliable service to customers.

Hydro's Submission

Hydro states that the evidence does not demonstrate that the proposed $9.9 million portable substation is reasonably required at this time. Hydro disputes that the forecast demand for portable substation capacity is sufficiently certain and submits opportunities are available to optimize utilization of collective resources such that capital investment is not required at this time.[5]

[3] Application, *Schedule B*, page 68.
[4] Application, report *2.3 Portable Substation*, section 6.1.
[5] Hydro's Submission, page 2.

Consumer Advocate's Submission

The Consumer Advocate states that the historical record does not demonstrate a need for an additional portable substation, and Newfoundland Power has not quantified the expected reliability improvement, the risk of failure, or the associated cost of a failure.[6] The Consumer Advocate also states that the project justification is based on reliability and, more specifically, reduction in the duration of major outages.[7]

Newfoundland Power's Response

Newfoundland Power currently has a fleet of four portable substations. The portable substations range in size from 10 MVA to 50 MVA and have been in service for between 12 and 60 years. Combined, these units can provide emergency backup for most power transformers in Newfoundland Power's system.[8] Maintaining an adequately sized fleet of portable substations for the purposes of managing operational requirements is consistent with sound public utility practice.[9]

While the utilization of the Company's portable substation fleet has been adequate to meet operational requirements over the past five years, Newfoundland Power identified several trends summarized below that are expected to increase the utilization of the portable substation fleet.[10]

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6 Consumer Advocate's Submission, page 16.
7 *Ibid.*, page 15.
8 Application, report *2.3 Portable Substation*, section 2.2.
9 See the responses to RFIs CA-NP-041 and CA-NP-087. Newfoundland Power conducted surveys through CEATI in 2021 and 2023 that included questions on portable substation ownership among utilities with varying system sizes and characteristics. The results of the 2021 survey were included in the *2026 Capital Budget Application*, report *2.2 Substation Power Transformer Strategy*, section 2.5 Current Utility Practice, and show that of 15 utilities surveyed, 11 maintain a fleet of portable substations. Across both the 2021 and 2023 surveys, utilities that maintained portable substation capacity generally reported inventories equivalent to approximately 1% to 6% of their transformer fleet. Newfoundland Power's current fleet of four portable substations is equivalent to approximately 2% of its power transformer fleet (4 / 191 = 0.02 or 2%).
10 Application, report *2.3 Portable Substation*, sections 3.1 and 3.2.

First, Newfoundland Power's substation power transformers are aging and are exposed to an increasing risk of failure. Of Newfoundland Power's 191 transformers currently in service, 111 are 50 years of age or older.[11] In addition, supply chain constraints and consistently long procurement lead times ranging from 18 to 36 months for power transformers can further extend the duration of a portable substation deployment.[12] Portable substations are used as an immediate response to power transformer failures and associated outages and are typically intended for short-term usage. However, there have been instances in the last 10 years where a spare unit was not available in response to transformer failure, which resulted in extended deployments of portable substations.[13] Newfoundland Power manages its portable substation fleet to ensure there is at least one unit available to maintain emergency response capability for unplanned transformer and equipment failures throughout the year.[14]

Second, Newfoundland Power introduced a Substation Power Transformer Strategy (the "Strategy") in its *2026 Capital Budget Application* to replace aging and deteriorating power transformers in a planned fashion. The Strategy establishes a long-term planning guide of approximately three power transformer replacements per year over the next five years.[15] The planned replacement of approximately three power transformers per year will place additional pressure on the availability of Newfoundland Power's portable substation fleet.

Third, the use of portable substations related to planned maintenance activities is increasing due to the need to use them to maintain service to customers while critical substation equipment is removed from service for inspection, maintenance, or replacement. As the

[11] See the response to RFI PUB-NP-001.
[12] Application, report *2.3 Portable Substation*, section 3.2. See also the response to RFI CA-NP-040, part b).
[13] See the response to RFI CA-NP-040, part b).
[14] See the response to RFI NLH-NP-002.
[15] See the response to RFI PUB-NP-015.

Company's substation assets continue to age and maintenance requirements increase, the demand for portable substations to facilitate planned work while minimizing customer impacts is also increasing.[16]

Hydro submitted that the Company has not demonstrated that its forecast demand for portable substation capacity is sufficiently certain to justify the proposed *Portable Substation* project, particularly in light of the Company's forecast for future power transformer replacements being a long-term planning guide rather than a fixed requirement.[17] Hydro's statement does not reflect the evidence on the record of this proceeding, nor does it provide evidence supporting a lack of certainty of the Company's forecast. Newfoundland Power has demonstrated that, based on its current forecast of planned power transformer replacements which is currently estimated to be on average three replacements per year,[18] capital projects including substation refurbishment and modernization projects, substation capital maintenance activities, and the requirement to maintain emergency response capability, the capacity of the current fleet of portable substations will be exceeded by approximately 20% beginning in 2030.[19] This forecast overload indicates that, in the event of an unplanned equipment failure, a suitable portable substation may not be immediately available, which could result in prolonged customer outages until a portable substation becomes available that can be deployed in response. Newfoundland Power has also demonstrated that the addition of a portable substation beginning in 2030 successfully alleviates the forecast overload by decreasing the utilization of the portable substation fleet below 100%.[20] In addition, in the response to RFI NLH-NP-016, Newfoundland

[16] See the response to RFI CA-NP-040.
[17] Hydro's Submission, page 2.
[18] Power transformer replacements reflected in the forecast of portable substation utilization also include capital projects to replace power transformers MOL-T2, GAN-T2, KBR-T3 and MOP-T1 approved in Board Order Nos. P.U. 27 (2024) and P.U. 38 (2025).
[19] Application, report *2.3 Portable Substation*, section 3.2 Forecast Utilization, Figure 5.
[20] *Ibid*. The addition of a portable substation is demonstrated by the years 2030F and 2031F marked with an asterisk.

Power demonstrated that reducing the number of planned power transformer replacements, which would effectively result in the Company running power transformers to failure, does not negate the need for an additional portable substation.[21]

While Newfoundland Power agrees with Hydro that the two utilities should continue to explore opportunities to optimize utilization of collective resources, Newfoundland Power has identified trends that are expected to increase the utilization of the portable substation fleet. In particular, the increasing risk associated with unplanned transformer failures and consistently long procurement lead times places upward pressure on the Company's ability to maintain its emergency response capability, would result in extended portable substation deployments, and can result in prolonged customer outages if a portable substation is not immediately available to respond to an unplanned equipment failure. The consequence of not having an immediately available portable substation to respond to unplanned equipment failures has been demonstrated through recent experience. For example, on August 10, 2026, a Hydro-owned power transformer in Rocky Harbour located in Western Newfoundland experienced issues resulting in an unplanned outage to over 1,000 customers for approximately 44 hours. The response included the unplanned deployment of Newfoundland Power's portable substation "P4", until alternative solutions could be determined and implemented for the power transformer.[22] P4 was returned to Newfoundland Power in October following the deployment of

[21] If Newfoundland Power were to replace, on average, less than three power transformers per year, it would statistically result in aging power transformers being run to failure. Running power transformers to failure would not be consistent with the Company's obligation to deliver reliable service and would result in additional costs to customers, increased emergency usage of its existing portable substation fleet to restore service to customers, and increased usage of its spare power transformer inventory to maintain service to customers. See the response to RFI PUB-NP-016, part a).

[22] See the response to RFI PUB-NP-016.

one of the Company's spare power transformers that was placed in service at Hydro's substation in Rocky Harbour.[23]

Newfoundland Power submits that its forecast of portable substation demand is sufficiently certain based on its five-year capital plan for substation capital work and identifies an overload in portable substation capacity beginning in 2030. Newfoundland Power further submits that the identified trends outlined above, and recent experience with in-service failures of substation equipment demonstrate that the addition of a portable substation is required to maintain the emergency response capabilities of Newfoundland Power and, indirectly, Hydro.

The Consumer Advocate states that the justification for the proposed *Portable Substation* project seems to be based on reliability and, more specifically, improvement in the duration of major outages. The Consumer Advocate supports this statement by referring to Newfoundland Power's corporate reliability performance.[24] This statement is incorrect and has been explicitly addressed by Newfoundland Power on the record of this proceeding. In the response to RFI CA-NP-074, part b), Newfoundland Power stated, "*It is not expected that the proposed portable substation will materially improve Newfoundland Power's overall SAIDI performance. The proposed portable substation is being purchased to facilitate substation maintenance and an increasing number of planned substation capital projects while still providing the same level of emergency response capability. The Company is not proposing the portable substation to improve levels of overall reliability, nor is it targeting overall improvements in reliability.*"

[23] Portable substation P4 was placed in service at Rocky Harbour on August 12, 2026 and was removed from service on October 8, 2026, for a total of 57 days in operation. At the request of Hydro, Newfoundland Power deployed one of the eight spare power transformers in its inventory to be placed in service in Rocky Harbour.

[24] Consumer Advocate's Submission, page 15.

The Consumer Advocate attempts to refute Newfoundland Power's statement that an additional portable substation is required, in part to address increasing requirements to complete substation maintenance, by referring to the Company's statement that it does not plan to increase the pace of planned power transformer replacements beyond approximately three replacements per year over the 2027-2031 forecast period.[25] The Consumer Advocate's position does not consider that the introduction of planned power transformer replacements itself is a significant driver of the forecast increase in portable substation utilization over the next five years. The forecast utilization of Newfoundland Power's portable substations includes both previously approved power transformer replacements and the planned replacement of approximately three power transformers per year over the next five years.[26] The introduction of planned power transformer replacements is over and above the identified trend of increasing requirements to complete substation maintenance.

The Consumer Advocate states that the record does not show that Newfoundland Power considered ways of moderating capital expenditures.[27] The Consumer Advocate's statement is not reflective of the evidence on the record of this proceeding. Newfoundland Power completed an assessment of alternatives in compliance with the requirements of the Provisional Guidelines. The assessed alternatives included: (i) maintain the existing portable substation inventory; (ii) increase the spare power transformer inventory; and (iii) procure an additional portable substation. Given the trends outlined above, which are expected to place upward pressure on the utilization of the Company's portable substations, the recommended alternative was to procure the proposed portable substation.

[25] Consumer Advocate's Submission, page 15.
[26] Application, report *2.3 Portable Substation*, page 7, Figure 5.
[27] Consumer Advocate's Submission, page 15.

Additionally, Newfoundland Power provided explanations as to why altering the timing or pacing of planned capital work is not viable. Substation assets are critical to electrical system reliability, with a single substation outage potentially resulting in a loss of service to thousands of customers for a significant amount of time. As a result of the critical role they play, substations must be designed and maintained to provide a high degree of reliability.[28] As discussed above concerning Hydro's comments on the proposed *Portable Substation* project, Newfoundland Power also demonstrated that reducing the number of planned power transformer replacements, which would effectively result in the Company running power transformers to failure, does not negate the need for an additional portable substation.[29]

The Consumer Advocate submits that the historical record does not demonstrate a need for an additional portable substation.[30] Newfoundland Power is not justifying the procurement of an additional portable substation based on historical utilization as suggested by the Consumer Advocate.[31] The need for an additional portable substation has been identified based on identified trends affecting the utilization of the portable substation fleet. As described above, the capacity of the portable substation fleet is forecast to be exceeded by approximately 20% beginning in 2030 based on forecast power transformer replacements, capital projects including substation refurbishment and modernization projects, substation capital maintenance activities, and the requirement to maintain emergency response capability. Deploying an additional portable substation beginning in 2030 successfully alleviates the forecast overload by decreasing the utilization of the portable substation fleet below 100%.[32]

[28] See the response to RFI CA-NP-087, part a).
[29] See the response to RFI NLH-NP-016.
[30] Consumer Advocate's Submission, page 16.
[31] Application, report *2.3 Portable Substation*, section 3.1 Historical Utilization, page 5.
[32] Application, report *2.3 Portable Substation*, section 3.2 Forecast Utilization, Figure 5. The addition of a portable substation is demonstrated by the years 2030F and 2031F marked with an asterisk.

Newfoundland Power submits that neither Hydro nor the Consumer Advocate have provided evidence to refute the need or justification for the proposed *Portable Substation* project. Newfoundland Power submits that it has provided all evidence necessary to justify the need for an additional portable substation beginning in 2030. Newfoundland Power further submits that the *Portable Substation* project is necessary to address identified risks to its outage response capability and the timely execution of maintenance and capital projects and programs through deployment of its portable substations and should be approved.

5.0 RESPONSE TO HYDRO'S SUBMISSION

This section relates to comments made in Hydro's Submission outside of the proposed *Portable Substation* project. Hydro's Submission covers three issues, including the proposed portable substation which has been addressed in Section 4. The other two issues raised by Hydro relate to power transformer replacements and balancing reliability and capital investment as it relates to distribution infrastructure.

Substation Power Transformer Replacements

Hydro did not object to the proposed replacement of any power transformer in the 2027 Capital Budget.

Hydro's comments relate more broadly to the Substation Power Transformer Strategy. Hydro states it 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.[33] Hydro also reiterated its statement from the Company's *2026 Capital Budget Application* and *2025 Capital Budget Application* that

[33] Hydro's Submission, page 2.

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.*"[34] Finally, Hydro states that it "*believes 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.*"[35]

Hydro's statements that (i) 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, and (ii) that flexibility in the annual pace of transformer replacements remain an important consideration in the Company's capital planning process are consistent with the evidence on the record of this proceeding and the approach employed by Newfoundland Power. The four power transformers proposed for replacement in the 2027 Capital Budget, including LAU-T1, LBK-T1, HAR-T1 and RRD-T3, are deteriorated and have reached the end of their useful life based on asset condition,[36] operating experience,[37] risk assessments,[38] and the availability of suitable repair and emergency response alternatives where viable.[39] Consistent with Hydro's statements, the timing of future power transformer replacements will continue to be evaluated based on these criteria in accordance with the Substation Power Transformer Strategy.[40]

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34 *Ibid.*
35 *Ibid.*
36 Application, report *2.2 Substation Power Transformer Strategy*, Appendices A-D, section 2.0. See also the response to RFI PUB-NP-018.
37 *Ibid.*
38 *Ibid.*, section 3.0.
39 *Ibid.*, section 4.0.
40 See the response to RFI PUB-NP-015, part c).

Newfoundland Power's power transformer maintenance strategy includes scheduling preventative maintenance for its power transformers every 12 years. This involves removing the transformer from service to perform electrical testing and to repair deficiencies.[41] Following the replacement of a power transformer, the decommissioned units may be assessed and, depending on the condition of a transformer, it may be used for a spare, considered for repair or scrapped.[42] In some instances, repairing power transformer units may not reduce the immediate risks being addressed and may also carry significant costs. For example, the estimated cost to install a portable substation as well as to transport, assess, complete a three-phase rewind, test, and integrate the RRD-T3 transformer back into the system is approximately $2,900,000.[43] This exceeds the cost to purchase and install a new transformer at RRD Substation with no guarantee of extended life. Repairing RRD-T3 would require it to be removed from service for 18 to 24 months, requiring the long-term installation of a portable substation or spare power transformer. This would put additional pressure on the Company's limited emergency response capabilities and would create an unacceptable risk to customers given the increased probability of transformer failure due to the Company's aging fleet.

Newfoundland Power submits that the justification for all proposed capital expenditures relating to power transformer replacements in the 2027 Capital Budget includes comprehensive information regarding asset condition, operating experience, risk assessments, and the availability of suitable repair and emergency response alternatives where viable. When appropriate, the Company considers repair or refurbishment to extend an asset's useful life. Newfoundland Power further submits that proposed 2027, 2028 and 2029 expenditures

[41] Application, report *2.2 Substation Power Transformer Strategy, Section 2.4 Preventative Maintenance and Condition Assessment*, pages 6 and 7. See also the response to RFI PUB-NP-011.
[42] Application, report *2.2 Substation Power Transformer Strategy,* Appendix D, page 7.
[43] *Ibid*.

associated with the four proposed power transformer replacement projects are required to provide reliable service at the lowest possible cost and should be approved.

Balancing Reliability and Capital Investment

Hydro's statements relating to balancing reliability and capital investment largely pertain to investments in distribution infrastructure to improve reliability on feeders.[44] Proposed capital projects for which improving reliability performance is the primary justification have historically been proposed under Newfoundland Power's *Distribution Reliability Initiative* ("DRI") project. Hydro did not object to the proposed *Distribution Reliability Initiative* project.

Newfoundland Power's DRI project exclusively targets the Company's worst performing feeders based on reliability metrics calculated in accordance with Electricity Canada, such as SAIDI, SAIFI, Customer Hours of Interruption per Kilometre ("CHIKM"), and Customers Interrupted per Kilometre ("CIKM").[45] The monitoring of reliability metrics and the targeting of capital expenditures on the worst performing feeders is considered good utility practice and is increasingly required by regulatory bodies.[46]

Hydro notes that Newfoundland Power has undertaken reliability improvement projects on feeders where SAIDI and/or SAIFI performance, while worse than Newfoundland Power's

[44] Hydro's Submission, page 3.
[45] See the response to RFI NLH-NP-018, page 1.
[46] See the response to RFI CA-NP-028, part a). In its *Report on Island Interconnected System to Interconnection with Muskrat Falls Addressing Newfoundland Power Inc.*, the Liberty Consulting Group viewed the gap between Newfoundland Power's worst performing feeders and corporate average reliability as "substantial enough to warrant the common utility practice of a targeted funding program to address that 10 to 15 percent of feeders exhibiting worst SAIDI and SAIFI performance during the previous year." Additionally, Electricity Canada's *Worst Performing Feeder Report 2023* provided the results of a survey of 21 Canadian member utilities, which found that all 21 utilities monitored their worst performing feeders, with SAIDI/SAIFI being the most popular methodology. The report also details regulatory efforts to improve worst performing feeders in Canada and abroad.

corporate average, was equal to or better than the Electricity Canada Region 2 average. Hydro also notes that, while it acknowledges that broader industry benchmarks, including the Electricity Canada Region 2 average for SAIDI and SAIFI, are not the sole determinant of whether capital investment is warranted, 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.*"[47] Hydro provides no evidence demonstrating this approach is consistent with sound public utility practice or is employed within utilities in Canada. Newfoundland Power's overall process for assessing whether reliability on an individual feeder is objectively poor considers: (i) analysis of reliability data through OMS tools; (ii) comparisons to the Company average; and (iii) detailed engineering inspections and asset condition data.[48] This approach is consistent with industry practice.[49]

As provided in the response to RFI NLH-NP-018, Newfoundland Power targeted 11 feeders as part of its DRI projects over the last 10 years. Of these 11 feeders, less than half meet the criteria requested by Hydro of having SAIDI and/or SAIFI performance worse than Newfoundland Power's corporate average, but equal to or better than the Electricity Canada Region 2 average.[50] The five feeders that met these criteria were proposed on the basis of other established reliability concerns and supported by detailed engineering inspections,

47 Hydro's Submission, page 3.

48 Newfoundland Power observes this process is generally consistent with the methodology employed by Hydro to assess its worst performing feeders, where Hydro prioritizes capital investment through the examination of reliability performance data relative to Hydro's averages, and confirmed based on condition assessments. See Hydro's *2027 Capital Budget Application*, *Volume II*, Project 7: Upgrade Worst-Performing Distribution Feeders (2027-2028), page 1 and page 8.

49 Electricity Canada's *Worst Performing Feeder Report 2023* provided the results of a survey of 11 Canadian member utilities, including Newfoundland Power, to assess approaches for addressing worst performing feeders. All utilities surveyed indicated they analyze reliability data and organize worst performing feeders into a list. FortisAlberta indicates that the worst performing feeder list is narrowed down to the bottom 3% of the worst performing distribution feeders in their service territory, and once the causes of reliability issues are determined, an implementation plan is executed.

50 See the response to RFI NLH-NP-018, page 2.

including abnormally high CHIKM and/or CIKM measures and specific feeder sections experiencing poor reliability performance.[51]

Newfoundland Power submits that it appropriately considers relevant benchmarks and criteria for proposed reliability investments consistent with sound public utility practice, including analysis of reliability data and comparisons to the Company average. Proposed DRI projects have been and continue to be based on established reliability concerns and supported by detailed engineering inspections. Newfoundland Power further submits that proposed 2027 and 2028 expenditures associated with the *Distribution Reliability Initiative* project are required to provide equitable, reliable, and reasonably adequate service at the lowest possible cost and should be approved.

6.0 RESPONSE TO CONSUMER ADVOCATE'S SUBMISSION

This section relates to the recommendations made in the Consumer Advocate's Submission outside of Recommendation #9 regarding the proposed *Portable Substation* project, which has been addressed in Section 4. Section 6.1 of this Submission addresses certain of the Consumer Advocate's general comments, while Section 6.2 addresses the Consumer Advocate's specific recommendations.

6.1 General Comments

This section addresses certain general comments made in the Consumer Advocate's Submission. Where Newfoundland Power has not explicitly responded to or addressed a particular comment of the Consumer Advocate, this should not be construed as Newfoundland Power accepting or agreeing with the Consumer Advocate's position or assertion.

[51] *Ibid.*, pages 3 and 4.

Newfoundland Power observes that a central feature of the Consumer Advocate's Submission on the Company's *2027 Capital Budget Application*, viewed as a whole, is a focus on customer rates, rate pressures, and the relationship between capital programs and customer rates. Newfoundland Power submits that the appropriate forum to assess the reasonableness of customer rates as well as a utility's overall cost management is a general rate application ("GRA"). At the commencement of the oral hearing into Newfoundland Power's *2025/2026 General Rate Application* (the "2025/2026 GRA"), the Chair of the Board described the purpose of GRAs:

> *General rate proceedings are held for Newfoundland Power approximately every three years. Through this regulatory process, the Board evaluates the reasonableness of the cost to be recovered and whether the proposed customer rates are fair and undiscriminatory. To evaluate the reasonableness of the proposals presented by Newfoundland Power, the Board applies tests consistent with generally accepted utility practice. At the conclusion of the general rate application, the Board issues an order which sets forth the Board's decisions on the utility's proposals. The overall cost management of Newfoundland Power is being reviewed in this proceeding. The Board's decision resulting from this application approves the cost to be reflected in customer rates…*[52]

In Newfoundland and Labrador, the requirement for a utility to file an annual capital budget is imposed by legislation. Namely, section 41 of the *Public Utilities Act*. The Board's review of utilities' annual capital budgets is governed by the legislative framework as a whole including the Board's duty to implement the provincial power policy laid out in section 3 of the *Electrical Power Control Act, 1994*. While it is settled that the Board has a broad discretion, and hence a large jurisdiction in its choice of the methodologies and approaches to be adopted to achieve the purposes of the legislation and to implement provincial power policy, the Board is

[52] See Newfoundland Power's 2025/2026 GRA, transcript June 13, 2024, pages 3 and 4.

nevertheless constrained to ensuring its choice of methodology and procedure furthers the objectives and purpose of the legislation.[53]

The Board's procedure and methodology for reviewing the annual capital budgets of utilities is governed in large part by the Provisional Guidelines. The Provisional Guidelines apply to the capital budgets of both Newfoundland Power and Hydro. The purpose of the Provisional Guidelines is to provide "*clear and consistent guidance with respect to the format and content of utility capital expenditure applications as well as the process, procedures and timelines for the review of these applications*."[54] The Provisional Guidelines are the product of a review process that includes the Board, Hydro, Newfoundland Power and the Consumer Advocate. The review process involves an assessment of the adequacy and efficiency of the annual capital budget process.[55] The review is ongoing and the Provisional Guidelines have yet to be finalized.[56]

Newfoundland Power's annual capital budgets are filed in accordance with the legislation and the Provisional Guidelines.

The principal focus of capital budget application proceedings is to determine whether proposed capital investments are reasonably required to meet the Company's statutory obligations to

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53 In 2022, the Government of Newfoundland and Labrador undertook a legislative review of the *Public Utilities Act* and the *Electrical Power Control Act, 1994*. Subsequently, the House of Assembly amended the legislation in 2023. Both section 3 of the *Electrical Power Control Act, 1994* and section 41 of the *Public Utilities Act* were subject to amendment.

54 Provisional Guidelines, Section IV.

55 In its correspondence issuing the Provisional Guidelines on December 20, 2021, the Board highlighted that as part of the review, it engaged a consultant to provide recommended changes to the existing Guidelines to help improve the overall efficiency and effectiveness of the annual Capital Budget Application processes.

56 In correspondence dated May 23, 2025, the Board indicated that, upon completion of an asset management system assessment of Hydro, the Board will advise of next steps in the review of the Capital Budget Application Guidelines. Similarly, the Board's 2026-29 Activity Plan, dated March 31, 2026, and provided to Newfoundland Power and other parties on July 20, 2026, indicated that the Board will have updated the utility capital budget filing guidelines by March 31, 2028.

serve its customers. This purpose has been acknowledged by the Board.[57] The Board has also recognized that justified capital expenditures contribute to the delivery of least-cost service to customers.[58] Newfoundland Power's capital plan is therefore foundational to the Company's ability to provide least-cost reliable service to customers over the long term.

Newfoundland Power submits that, through its recommendations 1, 2, 3, and 4 in particular, the Consumer Advocate's Submission seeks to import topics normally considered in the context of GRAs into Newfoundland Power's capital budget process on an annual basis. In the Company's view, acceptance of these proposals would result in a significant duplication of process and would stretch beyond the purpose of capital budget application proceedings and the Provisional Guidelines, and the requirements set out in legislation. Duplication of process contributes to inefficiency, regulatory lag and increases costs for customers.

Further, in Newfoundland Power's view, the cumulative effect of the Consumer Advocate's recommendations 1, 2, 3, and 4 amounts to the application of a capital budget envelope. The potential for imposing capital budget envelopes has been addressed as part of previous capital budget application proceedings and their applicability in Newfoundland and Labrador has been questioned by the Board.[59] In Order No. P.U. 36 (2021), the Board did not adopt the recommendation for a budget envelope, which it characterized as among the longer-term issues

[57] In Order No. P.U. 38 (2025) determining Newfoundland Power's *2026 Capital Budget Application*, the Board stated that in considering the Application the Board must assess whether approval of the proposals is consistent with the statutory obligations imposed on the Board and Newfoundland Power. See Order No. P.U. 38 (2025), page 3, lines 30-31.

[58] 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.*"

[59] In its Reasons for Decision in issuing Order No. P.U. 36 (2021), the Board stated, "*… a budget envelope would be new for this province and it is not clear that it would be consistent with the legislative framework which requires approval of both the annual capital budget and the individual proposed project expenditures. While budget envelopes are in use in some other Canadian jurisdictions they are not, as far as the Board is aware, used for utilities in Atlantic Canada, or for Canadian utilities subject to cost-of-service regulation.*"

that may require further work or legislative changes.[60] Newfoundland Power submits that the 2027 Capital Budget and capital budget application processes are not the appropriate proceedings to consider capital budget envelopes, nor does the Company agree with their application in cost-of-service regulation.

6.2 Specific Recommendations

The Consumer Advocate's Submission provides eleven specific recommendations for the Board to consider in the Application, including Recommendation #9 concerning the proposed *Portable Substation* project, which has been addressed in Section 4. This section provides an overview of each project or program (where applicable), summarizes the Consumer Advocate's submission on each recommendation, and provides the Company's response to those submissions.

6.2.1 Recommendation #1

Consumer Advocate's Submission

The Consumer Advocate states that the Board should direct Newfoundland Power to file with its *2028 Capital Budget Application* a comparative investment analysis addressing material choices among competing investments across asset classes, linked projects and alternatives within projects.[61] The Consumer Advocate seeks to confirm that "competing investments" have been compared, whether "alternative combinations" lower overall cost, and suggests that utilities should provide a "comparative analysis" of different "portfolio choices".

[60] See correspondence from the Board regarding *Provisional Capital Budget Application Guidelines*, December 20, 2021.

[61] Consumer Advocate's Submission, page 7.

Newfoundland Power's Response

Section 41 of the *Public Utilities Act* assigns different functions to the utility and the Board. The utility formulates and proposes its capital program; the Board scrutinizes the proposal and decides whether the statutory standard for approval has been met. Newfoundland Power is required under section 41 to submit, for the Board's approval, an annual capital budget of proposed improvements or additions to its property. Together with Newfoundland and Labrador Regulation 40/23, section 41 prohibits the Company from proceeding with an improvement or addition to its property in excess of $750,000 without the Board's prior approval. Section 41 of the *Public Utilities Act* focuses the scope of the Board's inquiry to whether the capital expenditures in Newfoundland Power's proposed 2027 Capital Budget are justified and necessary for the Company to meet its statutory obligations.[62]

Nothing in section 41 suggests that a utility should prepare more than one capital budget or choice of "portfolio". Likewise, nothing in section 41 suggests that the Board is itself charged with constructing the utility's capital program or selecting from competing portfolios the combination of investments that it considers preferable.[63] The Board's jurisdiction is supervisory and adjudicative, not managerial.[64] Its broad discretion concerns how it determines whether the capital budget proposed by the utility satisfies the statutory requirements; it does not transfer

[62] For example, in Order No. P.U. 2 (2024) determining Newfoundland Power's *2024 Capital Budget Application*, the Board granted approval for Newfoundland Power to proceed with the proposed construction, purchase or lease of improvements or additions to its property, pursuant to subsection 41(3) of the Act, except that the Board determined that the proposed expenditures should be reduced by $500,000 for the *Extensions* program, $300,000 for the *Relocate/Replace Distribution Lines for Third Parties* program and $200,000 for the *New Street Lighting* program. The Board approved the *2024 Capital Budget Application* pursuant to subsection 41(1) of the Act, in the amount of $114,252,000, which was $1,000,000 less than proposed as a result of the Board's findings with respect to the *Extensions* program, the *Relocate/Replace Distribution Lines for Third Parties* program and the *New Street Lighting* program.

[63] Newfoundland Power does not maintain "competing portfolios" of capital projects and programs.

[64] See *Newfoundland and Labrador Hydro v. Board of Commissioners of Public Utilities*, 2026 NLCA 36, para. 1.

responsibility for formulating that capital budget from utility management to the regulator.[65] Newfoundland Power submits that the Consumer Advocate's recommendation that Newfoundland Power should provide a comparative analysis of "competing portfolio choices" effectively attempts, in part, to transfer responsibility for formulating annual capital budgets from the utilities to the regulator and, in so doing, does not comply with section 41 of the *Public Utilities Act*.

The Company's comprehensive capital planning process relies on sound engineering and objective data to determine which expenditures are required annually to provide customers access to safe and reliable service at the lowest possible cost. This includes determining which expenditures can be deferred.[66] Newfoundland Power assesses all viable alternatives to identify the least-cost alternative for executing the required work as required by the Provisional Guidelines.[67] Pursuant to the requirements set out in the Provisional Guidelines, Newfoundland Power's risk matrix methodology is used to evaluate each capital project and program once the Company's capital planning process has identified the required expenditures.[68] The risk matrix shows the degree of risk to which customers would be exposed if a project or program does not proceed. The risk matrix also allows expenditures to be presented in the form of a prioritized list. Newfoundland Power submits that its approach to capital planning and its compliance with

[65] In support of the proposition that the Board should assess "the trade-offs underlying material portfolio choices", the Consumer Advocate cites the British Columbia Utilities Commission ("BCUC") decision and order on BC Hydro's *Fiscal 2020 to Fiscal 2021 Revenue Requirements Application*. In Order G-246-20, the BCUC explicitly acknowledged and addressed utility management's exclusive purview. In section *4.4.1 BC Hydro's Capital Planning Process* of Order G-246-20, the BCUC found that BC Hydro's capital planning process was reasonable, and the panel agreed with BC Hydro that the BCUC does not manage BC Hydro's capital expenditure prioritization processes.

[66] Application, *2027 Capital Budget Overview*, section *2.2 Capital Planning at Newfoundland Power*.

[67] The Provisional Guidelines require assessments of alternatives for projects and programs over $1 million in the Mandatory, Renewal, System Growth, Service Enhancement and General Plant investment classifications. Provisional Guidelines, Appendix A, page 15 of 18 and 16 of 18.

[68] The Provisional Guidelines require proposed capital projects and programs in the Renewal, Service Enhancement and General Plant investment classifications to be evaluated for risk mitigation and to be presented in a prioritized list. See the Provisional Guidelines, Appendix A, page 16 of 18 and 17 of 18.

the information requirements set out in the Provisional Guidelines demonstrate that the proposed capital expenditures in the 2027 Capital Budget represent the expenditures that have been determined to be justified and necessary for the Company to meet its statutory obligations.

In Newfoundland Power's view, the Consumer Advocate's unqualified assertion that capital expenditures contribute to rate pressures borne by customers is contradictory to the Board's finding that justified capital expenditures minimize revenue requirements and contribute to the delivery of least-cost service to customers as discussed in Section 6.1. The Company's approach to capital planning ensures that only capital expenditures which have been determined to be justified and necessary are proposed in its capital budget applications. This approach minimizes overall costs to customers over the longer term. For example, Newfoundland Power's growth in aggregate capital investment in transmission and distribution assets grew by 44% over the period from 2015 to 2024, compared to a rate of 69% on average of other Atlantic Canadian utilities. At the same time, the Company's customers have experienced 38% fewer outage hours in comparison to customers of other Atlantic Canadian utilities.[69] Finally, the Company observes that its contribution to revenue requirement and contribution to average customer rates have decreased by approximately 1% each on an inflation-adjusted basis from 2018 to 2027.[70] In Newfoundland Power's view, its approach to capital planning, capital investments relative to Atlantic Canada, and stability in revenue requirement and contribution to average customer rates on an inflation-adjusted basis over the longer term demonstrate that it is appropriately balancing costs and reliability consistent with its statutory obligations.

[69] Application, *2027 Capital Budget Overview*, section *2.3 Balancing Cost and Service*, page 11.
[70] *Ibid.*, page 10.

Further, the Company's cost management associated with its capital expenditures has been previously recognized by the Board. In Order No. P.U. 36 (2021) Reasons for Decision, the Board stated: *"The record shows that Newfoundland Power's capital planning process is comprehensive and includes reasonable controls on capital spending."*[71]

The Consumer Advocate submits that Newfoundland Power's annual capital budgets should demonstrate how Newfoundland Power "chooses among competing investments to arrive at an appropriate program in aggregate." Newfoundland Power submits that its comprehensive approach to capital planning, assessment of all viable alternatives and compliance with the requirements set out in the Provisional Guidelines demonstrate how it has determined the expenditures required annually to meet its statutory obligations.

Newfoundland Power submits the Consumer Advocate's recommendation to complete comparative investment analyses does not conform to the legislative requirements governing utility capital budgets as laid out in the *Public Utilities Act*. Further, the recommendation does not recognize the Company's approach to capital planning and demonstrated cost management and does not consider the requirements set out in the Provisional Guidelines. The Company further submits that the review of utility cost management, the appropriateness of customer rates, and the appropriateness of a utility's regulated return are all normally within the purview of general rate applications.[72] Reviewing such matters annually as part of capital budget

[71] Order No. P.U. 36 (2021) Reasons for Decision, page 45.

[72] In Order No. P.U. 3 (2025) determining Newfoundland Power's 2025/2026 GRA, the Board required Newfoundland Power to develop and file with the Board an overall strategic plan that addresses how it approaches the balance of cost and reliability. The Board acknowledged the appropriateness of the time frame in Order No. P.U. 38 (2025) determining Newfoundland Power's *2026 Capital Budget Application*, and stated it would decide next steps when the strategic plan is filed.

applications, in addition to their inclusion in general rate applications, would be duplicative, contrary to the principles of regulatory efficiency, and would increase costs to customers.

6.2.2 Recommendation #2

Consumer Advocate's Submission

The Consumer Advocate states that the Board should direct Newfoundland Power to file with its 2028 Capital Budget Application an implementation plan identifying costs, responsibilities and milestones for progressively developing measures of incremental risk reduction or service improvement relative to expenditure.[73]

Newfoundland Power's Response

The Provisional Guidelines direct that investments in the Renewal, Service Enhancement and General Plant classifications be ordered by risk mitigated per dollar spent and reliability improvement per dollar spent, and that previously approved multi-year projects within these investment classifications be at the top of the list without those values.[74] 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.

Part III of Appendix A of the Provisional Guidelines provides that, where a utility is not able to provide required information, it should provide other available information which may be of

[73] Consumer Advocate's Submission, page 7.
[74] Provisional Guidelines, Appendix A, Section IV.

assistance to the Board. Newfoundland Power has met the requirements of the Provisional Guidelines by providing its risk matrix methodology in the absence of providing specific calculations of risk mitigated per dollar spent and reliability improvement per dollar spent, and the basis upon which the proposals should be approved in its absence. Newfoundland Power submits it has provided sufficient evidence necessary for the Board to make determinations on the proposals in the 2027 Capital Budget as they relate to the assessment of risk and the prioritization of capital expenditures.[75]

The Provisional Guidelines provide that the Board, in addition to the evidence placed on the record of the proceeding, may consider its previous decisions and/or regulatory and judicial precedent.[76] The applicability and use of risk mitigated per dollar spent and reliability improvement per dollar spent metrics by utilities in Canada has not been found to be generally accepted utility practice.[77] As part of the *2024 Capital Budget Application* proceeding, the Consumer Advocate retained Midgard Consulting Inc. ("Midgard"), to provide a report on utility capital budgets and regulatory approvals. Midgard concluded that no Canadian utilities report on a reliability improvement per dollar spent metric.[78] Midgard also concluded that while some utilities report on a risk reduction per dollar spent metric, its use appears limited and is considered an exception.[79] The Consumer Advocate has not provided any new evidence in this proceeding demonstrating that Canadian utility practice has evolved since the conclusions made

[75] The Provisional Guidelines state that in making its determinations with respect to a utility's annual capital budget application, the Board will consider the evidence on the record in the proceeding and determine the weight to be given to the evidence. See the Provisional Guidelines, Section V.A.3.

[76] *Ibid*.

[77] Section 4 of the *Electrical Power Control Act, 1994* states, "*in carrying out its duties and exercising its powers under this Act or under the Public Utilities Act , the public utilities board shall implement the power policy declared in section 3, and in doing so shall apply tests which are consistent with generally accepted sound public utility practice.*"

[78] See the *2024 Capital Budget Application*, *Report of Midgard Consulting Inc.* dated September 21, 2023, page 31, footnote 39.

[79] *Ibid.*, page 32, footnote 40. See also the response to RFI NP-CA-008 filed as part of the *2024 Capital Budget Application*.

by Midgard on the reporting of risk mitigated per dollar spent and reliability improvement per dollar spent metrics. Additionally, the BCUC determined, as part of BC Hydro's *Fiscal 2020 to Fiscal 2021 Revenue Requirements Application*, that BC Hydro's capital planning process was reasonable. As part of that decision, the BCUC determined that BC Hydro's capital planning processes properly consider factors including reliability and safety. While the values of reliability and safety may not be quantified, that does not mean they are not considered in the prioritization.[80] Newfoundland Power's capital planning process, including its prioritization process, adequately considers reliability, safety, environment and economic factors, the guidelines for which rely on a combination of quantifiable factors and engineering judgment, in determining the risk associated with not proceeding with an identified capital project or program.[81]

As discussed in Section 6.1, the Provisional Guidelines apply to both Hydro and Newfoundland Power and have yet to be finalized. The Board has previously communicated that the Guidelines are the subject of an ongoing separate process and that it would advise of next steps upon completion of Hydro's asset management assessment.[82] The Consumer Advocate's recommendation for an implementation plan concerning risk mitigated per dollar spent and reliability improvement per dollar spent metrics would be inconsistent with regulatory efficiency and would be duplicative given the established, separate process that remains ongoing for the finalization of the Provisional Guidelines.

Newfoundland Power submits that the Board should reject the Consumer Advocate's recommendation to develop an implementation plan for the reporting of risk mitigated per

[80] See Decision and Order G-246-20, section *4.4.1 BC Hydro's Capital Planning Process*.
[81] Application, *2027 Capital Budget Overview*, Appendix C, page C-3.
[82] See Board Order No. P.U. 38 (2025), section 4.4.1 Capital Budget Applications Guidelines.

dollar spent and reliability improvement per dollar spent metrics on the basis that the Company has already met the requirements set out in the Provisional Guidelines. The Consumer Advocate has not demonstrated that the reporting of these metrics is consistent with generally accepted utility practice and that doing so would be duplicative and inconsistent with regulatory efficiency.

6.2.3 Recommendation #3

Consumer Advocate's Submission

The Consumer Advocate states that the Board should direct Newfoundland Power to file with its *2028 Capital Budget Application* an assessment of the annual and cumulative rate-base, revenue-requirement and customer-rate effects of its five-year capital plan, reconciling committed, currently requested and supplemental expenditures.[83]

Newfoundland Power's Response

Newfoundland Power has addressed the general inclusion of assessments of the reasonableness of customer rates as well as a utility's overall cost management in annual capital budget application proceedings in addition to GRAs in Section 6.1 above. Newfoundland Power's response is specific to the inclusion of *pro forma* analyses of revenue requirements and customer rates of its five-year capital plan.

Newfoundland Power files its annual capital budget applications in accordance with the Provisional Guidelines and Board orders. The Provisional Guidelines require a summary of rate impacts, both for historical rates for the past 10 years, and for the proposed budget impact

[83] Consumer Advocate's Submission, page 9.

assuming that the proposed capital budget is approved in full.[84] The Provisional Guidelines also require a five-year capital plan which focuses on strategic spending priorities.[85] The Provisional Guidelines do not require a summary of rate impacts for the five-year capital plan. Newfoundland Power filed *pro forma* analyses of its contribution to revenue requirement and customer rates in its 2027 Capital Budget in compliance with the Provisional Guidelines.[86] In accordance with Order No. P.U. 35 (2003),[87] subsequent orders approving capital budget applications and the Provisional Guidelines, the Company filed its five-year capital plan to provide reasonable visibility of future investment priorities.

Pro forma analyses are practically limited as they do not include potentially higher revenues from growth-related projects, or the long-term effect that fully justified capital expenditures have on minimizing revenue requirements.[88] The Board has previously recognized this complex relationship between capital investments, revenue requirements and customer rates. In Order No. P.U. 40 (2005), the Board stated,

> *"NP undertakes a capital program and incurs capital expenditures each year and these expenditures impact the revenue requirement in other ways, in addition to depreciation. The portion of capital expenditures incurred for example as a result of customer growth will be offset somewhat by higher revenues from increased energy sales. Other capital expenditures may impact maintenance expenses… these expenses are properly dealt with in the context of a general rate application."*

Detailed multi-year revenue requirement assessments are completed and filed with the Board as part of general rate applications.[89] Requiring these assessments or analyses annually as part

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84 Provisional Guidelines, Appendix A, section I.C.
85 *Ibid.*, section I.E.
86 Application, *2027 Capital Budget Overview*, page 10.
87 In Board Order No. P.U. 35 (2003), the Board required that Newfoundland Power file a five-year capital plan as part of its annual capital budget applications. While the Board does not specifically approve the five-year capital plan, the Board indicated that it provides a mechanism for maintaining the stability and predictability of the capital budget and capital works program. See the response to RFI CA-NP-088.
88 Application, *2027 Capital Budget Overview*, page 9.
89 See the response to RFI CA-NP-076, part a).

of capital budget applications in addition to general rate applications as recommended by the Consumer Advocate would be duplicative, contrary to the principles of regulatory efficiency, and would increase costs to customers.

The Consumer Advocate states that Newfoundland Power did not provide an example of where financial or revenue requirement considerations affected the timing, scope or prioritization of a proposed investment. This statement is not reflective of the information on the record of this proceeding. Newfoundland Power confirmed in the response to RFI CA-NP-076 that no 2027 justified capital expenditures were deferred solely based on revenue requirement impacts. Fully justified capital expenditures have been recognized by the Board as being part and parcel of minimizing revenue requirements and therefore providing least-cost electricity to customers.[90] Further, the Consumer Advocate has provided no evidence demonstrating that not completing justified capital expenditures solely based on financial or revenue requirement impacts is consistent with sound public utility practice.

Newfoundland Power submits that the Consumer Advocate's recommendation should be rejected on the basis that it would be duplicative, contrary to the principles of regulatory efficiency, increase costs to customers, contradict established Board practice and the requirements set out in the Provisional Guidelines, and is not supported by any evidence demonstrating it is consistent with sound public utility practice.

[90] See the responses to RFIs CA-NP-076, part c) and CA-NP-080, part b).

6.2.4 Recommendation #4

Consumer Advocate's Submission

The Consumer Advocate states that the Board should direct Newfoundland Power to file a methodology, materiality threshold and timetable for comparing expected and realized benefits material to investment justification.[91]

Newfoundland Power's Response

Capital project proposals for which achieving operating cost efficiencies is a primary justification are predominantly composed of proposed investments in technology. The Board has recognized that benefits of technology are not always readily quantifiable, but generally technology projects can provide value to customers such as by improving the accuracy and timeliness of responses to customer requests and inquiries.[92]

The Provisional Guidelines do not require the quantification of benefits, such as operating cost efficiencies, for proposed projects and programs under $1 million.[93] Newfoundland Power notes that projects that are justified based primarily on achieving operating cost efficiencies typically do not form a material portion of the annual capital budget. For example, the total amount of the projects for which operating efficiencies is a primary justification is $825,000, or 0.6%, of the total 2027 capital budget of $149,349,000.[94] Where proposed technology investments justified primarily on operating efficiencies meet the materiality criteria outlined in the

[91] Consumer Advocate's Submission, page 10.
[92] See page 5 of Order No. P.U. 18 (2026), in which the Board recognized that ongoing technology modernization, upgrades, and maintenance enhance a utility's ability to provide least-cost, reliable service.
[93] Provisional Guidelines, Appendix A, page 16 of 18.
[94] See the response to RFI CA-NP-079. The three proposed capital projects for which operating efficiencies are the primary justification include *Business Modernization*, *Customer Service Automation Enhancements*, and *Learning Management System*. While the total budget of these three projects is approximately $825,000, the individual budget amounts are less than the legislated threshold of $750,000 pursuant to Newfoundland and Labrador Regulation 40/23 under the *Public Utilities Act*.

Provisional Guidelines, Newfoundland Power provides expected cost savings associated with the proposed investment.[95]

Newfoundland Power completes a fulsome review of its overall revenue requirement in the context of a general rate application. Operating efficiencies associated with capital projects that contribute to lower costs for customers are reflected in the Company's future test year operating forecasts, whether they are embedded in Newfoundland Power's actuals, or are forecast to occur in the test year period.[96, 97] It is also important to recognize that operating cost savings associated with automating more routine or manual tasks can allow the Company to improve its business and customer processes, as well as meet new requirements, without incurring new costs. Further, the timing and amount of operating benefits can vary depending on the enhancement.[98]

Newfoundland Power (i) provides evidence supporting its proposed projects based primarily on achieving operating cost efficiencies as required by the Provisional Guidelines,[99] (ii) incorporates cost savings associated with application enhancements into its general rate application operating cost forecasts in a reasonable manner, and (iii) provides longer-term revenue

[95] For example, the Company proposed its *Customer Correspondence Modernization* project in the *2026 Capital Budget Application*. As part of the evidence justifying the need for the project, Newfoundland Power completed a net present value analysis evaluating the capital investment required for implementation against projected efficiency gains, including labour savings, reduced manual processing, increased customer self-service, avoided future capital expenditures and improved long-term system supportability. The Board determined in Order No. P.U. 38 (2025) that the project will lower costs for customers over the life of the project.

[96] See the response to RFI CA-NP-006.

[97] For example, in the *2025/2026 General Rate Application*, the Company reduced its 2026 test year operating labour forecast to reflect operating savings associated with application enhancements.

[98] See the response to RFI CA-NP-049.

[99] Application, *Schedule B*, pages 139-143. See also the response to RFI CA-NP-049.

requirement and operating cost analyses as part of capital budget and general rate applications to demonstrate it is operating in an efficient manner over time.[100]

Newfoundland Power submits that it adequately captures expected and realized benefits of capital investments. This includes quantifying expected benefits to the extent that information is readily available and incorporating realized benefits into the Company's future test year operating forecasts through established general rate application processes, whether reflected in Newfoundland Power's actuals or forecast to occur during the test year period. Newfoundland Power further submits that the filing of a methodology for comparing expected and realized benefits material to investment justification would be duplicative, contrary to the principles of regulatory efficiency. It would also go beyond the information requirements set out in the Provisional Guidelines and would increase costs to customers.

6.2.5 Recommendation #5

Project Overview

The Amended Application proposes capital expenditures of $871,000 in 2027 and $2,069,000 in 2028, totaling $2,940,000 for the *Distribution Reliability Initiative* project (the "DRI Project").[101] The DRI Project is required to provide customers with equitable and reliable service at the lowest possible cost by addressing poor service reliability currently experienced by customers serviced by distribution feeder GLV-02.[102]

[100] See, for example, the *2027 Capital Budget Application*, *2027 Capital Budget Overview*, section *2.3.3 Customer Rates* and the *2025/2026 General Rate Application*, section *2.3.4 Operating Efficiency*. Operating cost efficiencies are primarily advanced through the effective deployment of technologies.
[101] Application, *Schedule B*, page 3.
[102] *Ibid.*, page 5.

Consumer Advocate's Submission

The Consumer Advocate states Newfoundland Power has not shown that the 12-kilometre section of distribution feeder GLV-02 is justified at this time.[103] The Consumer Advocate asserts that a wider range of alternatives to improve reliability, including continued repairs and maintenance as needed, improved monitoring to allow faster repair, strategic replacement of equipment and poles, and behind-the-meter measures should have been considered.[104]

The Consumer Advocate does not oppose the rebuild and relocation of the 5-kilometre section of distribution feeder GLV-02. The Consumer Advocate recommends that the Board reject the 12-kilometre section of the *Distribution Reliability Initiative* project.

Newfoundland Power's Response

The Provisional Guidelines require an assessment of alternatives for capital projects and programs exceeding $1 million for proposed expenditures in the Mandatory, Renewal, System Growth, Service Enhancement and General Plant investment classifications.[105] In compliance with the requirements of the Provisional Guidelines, Newfoundland Power completed an assessment of alternatives to address the poor reliability experienced by customers served by the two sections of distribution feeder GLV-02.[106]

There are generally three categories of alternatives to resolve poor reliability on distribution feeders based on the common causes of poor reliability. These include: (i) rebuilding or refurbishing in an existing right-of-way; (ii) relocation of a distribution line; and (iii) non-wire or

[103] Consumer Advocate's Submission, page 11.
[104] *Ibid*.
[105] Provisional Guidelines, Appendix A, Section III.
[106] Application, report *1.1 Distribution Reliability Initiative*, section *4.0 Assessment of Alternatives*.

smart grid alternatives.[107] An engineering assessment of the two sections of distribution feeder GLV-02 determined that deteriorated conductor, poles, crossarms and insulators, as well as the inaccessibility of the lines, have contributed to their poor reliability performance.[108]

Newfoundland Power identified and evaluated two viable alternatives to address the reliability performance of the lines. This included rebuilding the two sections in their existing rights-of-way, which would include replacing poles and crossarms and upgrading conductor to address the deteriorated condition of equipment on these sections. In addition, the existing rights-of-way would be widened as required to prevent tree contacts from danger trees outside the existing rights-of-way. This alternative was estimated to cost $3,647,000, approximately $700,000 more than the proposed alternative which involved rebuilding and relocating both sections of the line roadside.[109]

The Consumer Advocate suggests that the alternatives of continued maintenance and repair, improved monitoring, strategic replacement of equipment and poles, and behind-the-meter alternatives should all have been considered. Newfoundland Power submits that these alternatives have been thoroughly canvassed as part of the assessment of alternatives for the DRI Project. The alternative to rebuild the sections in their existing rights-of-way as outlined above represents the minimum repair and maintenance work required to address both the identified deterioration exhibited on the two sections of line as well as the inaccessible nature of the sections. Undertaking only repair and maintenance or the strategic replacement of equipment as identified by the Consumer Advocate would not address the accessibility of the

[107] *Ibid.*
[108] *Ibid.*, section *3.3 Engineering Assessment*, page 9.
[109] *Ibid.*, section *4.2 Alternative 1 – Rebuild in Existing Right-of-Way*.

two sections of line. Similarly, only undertaking vegetation management would not address the identified deterioration of poles, conductor and other equipment on the two sections of line.[110]

Improved monitoring, such as through the use of drones, cameras or line sensors as suggested by the Consumer Advocate would not address the reliability performance of the two sections of line. Newfoundland Power has demonstrated it already employs drone technology to aid in locating damaged equipment on the 12-kilometre section of distribution feeder GLV-02, however the use of drone technology has no effect on the ability to deliver equipment to the damaged location to make repairs.[111] Behind-the-meter alternatives are assessed through the evaluation of non-wires or smart grid alternatives. In the case of distribution feeder GLV-02, this alternative is not viable as it would not address the identified deterioration on the two sections of line.

Newfoundland Power observes that the Consumer Advocate's calculated adjusted customer hours of outage per customer results in a customer served by the 12-kilometre section of distribution feeder GLV-02 experiencing approximately 20% longer outages than a customer served by the 5-kilometre section.[112] Section 3(b) of the *Electrical Power Control Act, 1994* provides, among other things, that all sources and facilities for the production, transmission and distribution of power should be managed and operated in a manner that would result in customers having equitable access to an adequate supply of power and that would result in open, non-discriminatory and non-preferential access to, interconnection with and service on

[110] See the response to RFI CA-NP-066. Newfoundland Power stated that while a majority of the outages on the 12-kilometre section are related to danger tree contacts, this is reflective of restrictive vegetation management capabilities within the boundary of Terra Nova National Park and further illustrates the need to rebuild and relocate the line section to a roadside corridor.

[111] See the response to RFI CA-NP-065, part a).

[112] (15.1 – 12.7) / 12.7 = 0.19 or approximately 20%.

the integrated electric system. Customers served by both sections of distribution feeder GLV-02 experience significantly worse reliability compared to the Company average, with customers served by the 12-kilometre section experiencing longer outages than customers served by the 5-kilometre section. In Newfoundland Power's view, addressing only one of these sections of line, when both have been identified as having deteriorated equipment including poles, crossarms, insulators and conductor and significantly poorer reliability performance compared to the Company average, would be inconsistent with the Company's statutory obligation to provide all customers with an equitable access to an adequate supply of power.

In addition, addressing only one of these sections of line would not be an efficient deployment of the Company's resources. Newfoundland Power would be required to deploy crews, contractors and materials to address the 5-kilometre section of line as supported by the Consumer Advocate but would leave 12 kilometres of deteriorated and inaccessible line unaddressed. Given the poor reliability performance of the 12-kilometre section of line and recent experience in addressing unplanned failures of equipment on the 12-kilometre section, it is anticipated that additional unplanned work would be required to maintain service to customers served by this section of line.[113]

Newfoundland Power submits it has assessed all viable alternatives to address the poor reliability experienced by customers served by distribution feeder GLV-02. Newfoundland Power further submits that the *Distribution Reliability Initiative* project, which involves addressing both the 12-kilometre and 5-kilometre sections of distribution feeder GLV-02, is necessary to provide

[113] Unplanned work typically takes longer to complete and often occurs outside normal operating hours, requiring more resources, potentially resulting in a costlier response.

customers with equitable and reliable power, at the lowest possible cost, and should be approved.

6.2.6 Recommendation #6

Project Overview

The Amended Application proposes capital expenditures of $789,000 in 2027 for the *Distribution Feeder GDL-02 Loop 10 and 20 Refurbishment* project (the "GDL-02 Loop Project").[114] The GDL-02 Loop Project is required to address known deterioration on underground infrastructure and ensure customers continue to receive an adequate supply of electricity at least cost.[115]

Consumer Advocate's Submission

The Consumer Advocate states Newfoundland Power has not provided sufficient information to show that completion of this project is necessary at this time. Specifically, the Consumer Advocate states that there is no compelling evidence that either loop is likely to permanently fail in the near future, there is no upward trend in failure incidents, and no indication that refurbishment at this time is more economic than repairing as needed.[116]

The Consumer Advocate recommends that the Board reject the *Distribution Feeder GDL-02 Loop 10 and 20 Refurbishment* project.

[114] Application, *Schedule B*, page 32.
[115] *Ibid.*, page 35.
[116] Consumer Advocate's Submission, page 12.

Newfoundland Power's Response

The Consumer Advocate's recommendation that the GDL-02 Loop Project be rejected does not consider the totality of the evidence that justifies undertaking the refurbishment. The Consumer Advocate's recommendation is focused largely on the number and trend of documented failure incidents but does not consider the age of the assets in service on Loop 10 and Loop 20, or the installation method of the loops. Loop 10 and Loop 20 are comprised of direct-buried Ethylene Propylene Rubber ("EPR") cables and were installed in 1975 and 1976, respectively. These cables have been in service for 51 and 50 years, respectively.[117] A review of Canadian utility practice demonstrates that the age of these cables has exceeded what is typically reached in the industry.[118] In addition, direct-buried cables are more prone to damage than cables installed in ducts due to repeated exposure to excavation, backfilling and compacting. Newfoundland Power's current design standard for underground distribution infrastructure does not include direct-buried cables.[119] The documented failures on Loop 10 and Loop 20 have resulted in approximately 70,000 customer outage minutes and 24,000 customer outage minutes, respectively.[120]

Newfoundland Power filed evidence for the GDL-02 Loop Project in accordance with the information requirements set out in the Provisional Guidelines. The Provisional Guidelines do not require an assessment of alternatives for proposed projects under $1 million.[121] For comparative purposes, Newfoundland Power has outlined the process to undertake repairs on a failed cable in a direct-buried underground loop below.

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117 Application, *Schedule B*, page 33.

118 For example, Alectra Utilities specifies that EPR underground cables are deemed to have reached end of useful life at 45 years of age. See proceeding EB-2023-0004, *2024 EDR ICM Application*, Responses to Association of Major Power Consumers in Ontario Interrogatories, AMPCO-10, Attachment 1 – Alectra 2021 ACA Report, page 52.

119 Application, *Schedule B*, page 33.

120 *Ibid.*, page 33 and 34.

121 Provisional Guidelines, Appendix A, Section III.

A cable that forms part of an underground loop does not "permanently" fail as suggested by the Consumer Advocate. When a cable in an underground loop fails, the method of repair and return to service requires splicing the cable. Splicing is the process of removing a damaged section of an existing cable and joining the two ends of the existing cable together with a new piece of cable to reestablish the continuous path for electrical current to flow. When a cable is spliced, the overall strength of the cable is reduced as new failure points are introduced at each end of the splice, creating the potential for water ingress and the potential for a new fault to occur. As a result, undertaking repairs to underground cables through splicing increases the potential for the next failure to occur.

The process of completing a repair to a failed direct-buried cable in an underground loop is destructive and involves: (i) locating the fault, which requires specific tools and experience in underground infrastructure;[122] (ii) excavating the location of the fault, which may involve excavating sod or asphalt on a customer's lawn or driveway, or in the road; (iii) completing the repair to the failed cable through splicing and backfilling the hole; and (iv) completing property restoration. This process must be repeated for every repair undertaken on a failed cable on a loop.

Completing the refurbishment of Loop 10 and Loop 20 as outlined in the 2027 Capital Budget will negate the need to complete destructive repair work on direct-buried cables by replacing the cables with new cables installed in conduit. In the future, any required repairs would involve removing the failed cable from the conduit, installing new cable, and returning the cable to

[122] When a fault occurs on an underground loop, customers are without service until a crew is dispatched, the fault is located and switching is completed to isolate the fault and restore service. In the case of Loop 10 and Loop 20, any range of customers served by these loops could experience an outage in the event of a failure of a cable. See the response to RFI CA-NP-032, part c).

service. This would eliminate the need for destructive excavation and property restoration work.[123]

Newfoundland Power submits that it has provided all necessary information to justify the requirement to refurbish Loop 10 and Loop 20 on distribution feeder GDL-02, in accordance with the Provisional Guidelines. Newfoundland Power further submits that the *Distribution Feeder GDL-02 Loop 10 and 20 Refurbishment* project is necessary to address deteriorated and end-of-life underground infrastructure to maintain safe and reliable service at the lowest possible cost and should be approved.

6.2.7 Recommendation #7

Program Overview

The Amended Application proposes 2027 capital expenditures of $8,319,000 for the *Reconstruction* program.[124]

The *Reconstruction* program is a corrective maintenance program that addresses distribution system assets that have failed, are at imminent risk of failure, or present a safety hazard to employees and the public.[125]

[123] Undertaking the proposed refurbishment on Loop 10 and Loop 20 would be consistent with Newfoundland Power's statutory obligation, expressed in section 3(b)(i) of the *Electrical Power Control Act, 1994*, to ensure that distribution facilities are managed and operated in a manner that is "most efficient".
[124] Application, *Schedule B*, page 40.
[125] *Ibid.*, page 41.

Consumer Advocate's Submission

The Consumer Advocate states that the run of major events in recent years has made the historical average methodology for estimating the *Reconstruction* program budget a less reliable basis for forecasting.[126]

The Consumer Advocate recommends that the Board set the 2027 budget amount for the *Reconstruction* program at the approved 2026 amount of $7,674,000 or alternatively, reserve approval of the program pending the appropriate reconciliations from Newfoundland Power and any applicable comments and replies from the parties.

Newfoundland Power's Response

Newfoundland Power disagrees that recent major events and associated exclusions from the historical average calculation for the *Reconstruction* program make the methodology less reliable. The treatment of exclusions and outliers in the estimation of budgets based on historical average was assessed as part of the *2025 Capital Budget Application*.[127] Outliers are costs that are identified to be one-time costs not representative of future work in a particular program. Newfoundland Power has adjusted its historical expenditures for outliers in calculating the 2027 budget for the *Reconstruction* program based on prior expenditure experience.[128] Specifically, in 2022, approximately $314,000 was excluded as a result of restoration work associated with three isolated events: Hurricane Earl, Hurricane Fiona and a winter storm in February. In 2024, approximately $601,000 was excluded as a result of restoration work associated with two isolated events: a landslide in Corner Brook and a winter storm in March.[129]

126 Consumer Advocate's Submission, page 13.
127 See the *2025 Capital Budget Application*, report titled *Use of Historical Averages for Budget Estimating*, section *4.2 Outliers and Variances*.
128 Application, *Schedule B*, page 39.
129 *Ibid*.

There were no isolated events identified in 2023 or 2025 that would be considered an outlier. It is also important to recognize that storm events are not unique to Newfoundland Power's operating environment, and as such, the Company does not consider each storm that occurs as an outlier. Further, the impact of storm events on Newfoundland Power's system are not equal and can have varying impacts on both capital and operating costs.[130]

Newfoundland Power disagrees with the Consumer Advocate's statement that there is inconsistency in the Company's treatment of major events in the calculation of the 2027 budget for the *Reconstruction* program. The presence of a major event does not necessarily indicate that there will be an outlier to be excluded from the calculation, as demonstrated above. Outliers are identified when they are determined to be one-time costs not representative of future work. Hurricanes and landslides are typically less common than storms. Newfoundland Power adjusts its historical expenditures based on prior experience and the work that is reasonably anticipated to be required to complete restoration work associated with major events. Excluding these expenditures from all years would result in the budget for the *Reconstruction* program no longer being reflective of the work that would be reasonably anticipated. Similarly, acceptance of either of the Consumer Advocate's recommendations would have the same result and would drive larger reportable variances to the Board.

The Consumer Advocate suggests setting the 2027 budget for the *Reconstruction* program at the 2026 budget amount, adjusted for inflation. Newfoundland Power assessed this scenario

[130] See, for example, the *2027 Capital Budget Application*, *2027-2031 Capital Plan*, section *2.3 Operations Outlook*. See also Newfoundland Power's 2025/2026 GRA, responses to RFI PUB-NP-056 and PUB-NP-070.

across its capital programs as part of the *2025 Capital Budget Application,* and it was found to have resulted in higher overall variances compared to the current methodology.[131] Newfoundland Power submits that the current methodology for calculating the 2027 budget amount for the *Reconstruction* program reasonably reflects the work required under this program based on recent operating experience. Newfoundland Power submits the *Reconstruction* program is necessary to provide safe and reliable service to customers at the lowest possible cost and should be approved as filed.

6.2.8 Recommendation #8

Project Overview

The Amended Application proposes capital expenditures of $313,000 in 2027, $3,407,000 in 2028, and $7,498,000 in 2029, totaling $11,218,000 for the *LAU-T1 Power Transformer Replacement*, *LBK-T1 Power Transformer Replacement, HAR-T1 Power Transformer Replacement* and *RRD-T3 Power Transformer Replacement* projects.[132]

Consumer Advocate's Submission

The Consumer Advocate recommends approval of the four proposed transformer replacement projects.

The Consumer Advocate states that the Board should direct Newfoundland Power to file with its 2028 Capital Budget Application an updated survivorship assessment, an explanation of

[131] See the *2025 Capital Budget Application*, report titled *Use of Historical Averages for Budget Estimating*, section *4.1 Historical Average Methodology Review*. Specifically, Scenario 2 assessed the use of one year of data, reflecting the most recent actual year.

[132] Application, *Schedule A*, page 6.

replacement priorities among equally scored units, and the combined replacement, spare and portable-support analysis.[133]

Newfoundland Power's Response

The Consumer Advocate's suggestions for the updated survivor curve analysis are a substantial departure from the methodology employed in the Gannett Fleming Service Life Study (the "Study") filed as part of Newfoundland Power's *2026 Capital Budget Application*. The Study was not intended to be used to compare alternatives for a transformer fleet including combinations of replacement scenarios, deployment of portable substations and spare transformers or continued monitoring as suggested by the Consumer Advocate.[134] Rather, it provided a high-level, age-based forecast of expected transformer retirements, not an exact prediction of future replacement requirements.[135] The Study incorporated survivor curve estimates from both previous studies of Newfoundland Power as well as other electric utilities, statistical analyses of data including retirements, and Newfoundland Power's current policies and outlook for power transformers based on conversations with internal personnel.[136] Continually updating the Study would not result in significant changes year-over-year to the survivor curves or to the forecast retirement rate. Service life estimates do not typically change materially unless major factors that affect the service life of an entire asset base become present.[137]

133 Consumer Advocate's Submission, page 14.
134 *Ibid*.
135 See the response to RFI PUB-NP-015.
136 See the *2026 Capital Budget Application*, report *2.2 Substation Power Transformer Strategy*, Appendix C Gannett Fleming Service Life Study, page 34 of 45.
137 For example, the *2019 Depreciation Study* discussed a change Newfoundland Power implemented for its pole-top distribution transformers. Beginning in 2001, the Company began installing pole-top distribution transformers with stainless steel tanks to be more resistant to rust, particularly in coastal areas. This resulted in a change in the service life estimate of distribution transformers. See the *2019 Depreciation Study*, page III-12.

Newfoundland Power uses the results of the Study as a long-term planning guide for anticipated retirements of power transformers. Replacement decisions are and will continue to be based on the most current transformer condition information, inspection and testing results, operating experience, risk assessments, system requirements, spare transformer availability, portable substation capability, and procurement considerations.[138] Newfoundland Power assesses all viable alternatives for proposed power transformer replacements, including continued monitoring, replacement, and repair.[139]

Newfoundland Power is not seeking approval of the Substation Power Transformer Strategy as a capital project as part of the 2027 Capital Budget.[140] The Substation Power Transformer Strategy established a planned approach to replace aging and deteriorating power transformers while strengthening emergency response capabilities in light of the risks facing power transformer assets.[141] The Substation Power Transformer Strategy recognizes that no single approach is sufficient on its own, and projects are proposed for approval in accordance with the Substation Power Transformer Strategy and the requirements set out in the Provisional Guidelines. Proposed capital projects undergo detailed engineering assessments and assessments of alternatives. These assessments confirm that, individually, the proposed capital projects represent the considered alternative that is least cost and consistent with reliable, environmentally responsible service delivery. Cumulatively, capital projects proposed in accordance with the Substation Power Transformer Strategy constitute the least-cost approach to addressing the risk associated with the aging power transformer fleet.[142]

[138] See the response to RFI PUB-NP-015.
[139] Application, report *2.2 Substation Power Transformer Strategy*, Appendices A-D, section *4.0 Assessment of Alternatives*.
[140] See the response to RFI PUB-NP-016.
[141] Application, report *2.2 Substation Power Transformer Strategy*, page 1.
[142] See the response to RFI PUB-NP-016, part b).

The Consumer Advocate states that four proposed transformer replacements each receive the same risk score of 16, despite differences in customer exposure, offloading capability and compatible spare availability.[143] Newfoundland Power submits that the resulting risk score of 16 for each of the four proposed transformer replacements is a direct reflection of how risk scores may be affected not *despite* different factors, but *because of* different factors, and is not inherently incorrect or inconsistent. For example, power transformer LBK-T1 does not directly serve customers, but supports the operation of 5.889 MVA of generation from the Lookout Brook Hydro Plant.[144] Power transformer RRD-T3 does not support generation, but serves over 4,400 customers in the City of St. John's.[145] The risk associated with these two power transformers would have been assessed differently, with LBK-T1 having economic consequences resulting from the need to replace lost production, and RRD-T3 having reliability consequences resulting from customers experiencing an outage in the event of a failure of RRD-T3.

The Consumer Advocate suggests that in future capital budget applications, it should be explained how evidence and time horizons support risk scores, how condition and recovery options distinguish scored units, and how these considerations determine replacement timing.[146] The requested information has been filed on the record of this proceeding for all capital projects and programs, including the four proposed power transformer replacements, that require an assessment of risk and prioritization score.[147]

[143] Consumer Advocate's Submission, page 14.
[144] Application, *Schedule B*, page 90.
[145] *Ibid.*, page 86.
[146] Consumer Advocate's Submission, page 14.
[147] See, for example, the *2027 Capital Budget Application*, *Schedule B*, page 78. See also the *2027 Capital Budget Application*, report *2.2 Substation Power Transformer Strategy*, Appendix C, section *3.0 Risk Assessment*.

The Consumer Advocate states that the risk scores provided for each of the four proposed power transformer replacements are broad ratings that do not establish relative priority or the appropriate replacement sequence.[148] As Newfoundland Power has repeatedly indicated throughout the record of this proceeding as well as past capital budget applications, the risk matrix methodology is designed to assess the risks of not proceeding with capital projects and programs in the Renewal, Service Enhancement and General Plant investment classifications.[149] The risk matrix methodology provides reasonable consistency in communicating the results of risk assessments across asset classes for proposed capital expenditures, allowing proposed expenditures to be presented in the form of a prioritized list in compliance with the Provisional Guidelines.

6.2.9 Recommendation #10

Consumer Advocate's Submission

The Consumer Advocate states that the Board should direct Newfoundland Power to remove any amount that may be included in its proposed 2025 average rate base related to the Topsail and Victoria hydro plants on the basis that the plants have provided no benefit to consumers in 2025 and in 2026 to date, and they provided little to none in the preceding four years.[150]

Newfoundland Power's Response

Newfoundland Power owns and operates 23 hydroelectric generation plants throughout its service territory. The hydro plants range in age from 28 years old to 126 years old.[151] On a

[148] Consumer Advocate's Submission, page 14.
[149] Application, *2027 Capital Budget Overview*, Appendix C. See also the response to RFI CA-NP-089, page 2, lines 19 to 26.
[150] Consumer Advocate's Submission, page 16.
[151] Newfoundland Power's Rose Blanche Hydro Plant was commissioned in 1998. The Company's Petty Harbour Hydro Plant was brought into service in 1900.

routine basis, Newfoundland Power assesses its hydro plants to ensure their continued operation is in the best interest of customers. Where appropriate, the Company proposes capital projects related to specific hydro plants in its annual capital budget applications.[152] Through its service life, a hydro plant may become unavailable and require repairs or longer-term refurbishment projects. For example, Newfoundland Power's capital budget applications routinely include the *Hydro Facility Rehabilitation* project and *Hydro Plant Replacements Due to In-Service Failure* program. These expenditures are necessary for the replacement or rehabilitation of deteriorated hydroelectric facility components and to replace equipment that has failed while in service.[153] For hydro plants that require larger-scale refurbishment, the Company proposes plant-specific projects, such as the *Rose Blanche Hydro Plant Refurbishment* project, which was included in the *2027 Capital Budget Application*.[154]

The applicable statutory framework in Newfoundland and Labrador expressly contemplates circumstances in which property that is not currently providing service may nevertheless be included in rate base. Section 78(2)(c) of the *Public Utilities Act* provides that the Board may include in rate base the cost, in whole or in part, of land or other property and assets acquired or held in reasonable anticipation of future requirements. Accordingly, the fact that a generating asset is not currently providing service does not, on its own, preclude its inclusion in rate base. Section 78(2)(c) permits the Board to consider whether the asset is held in reasonable anticipation of future requirements.

[152] For example, see the *2027 Capital Budget Application*, report *3.1 Rose Blanche Hydro Plant Refurbishment*. The project is required to ensure the Rose Blanche Hydro Plant continues to provide low-cost energy to customers.
[153] Application, *Schedule B*, pages 115-119, and pages 123-126.
[154] *Ibid.*, pages 120-122. See also report *3.1 Rose Blanche Hydro Plant Refurbishment*.

Topsail Hydro Plant

The availability of Newfoundland Power's Topsail Hydro Plant in recent years has been affected by a series of thrust and guide bearing failures.[155] In its submission, the Consumer Advocate states there is no return to operation date for the Topsail Hydro Plant.[156]

The Topsail Hydro Plant was returned to service on October 9, 2026, and has operated continuously since that time.[157] The plant is therefore currently in service and is providing energy to the Island Interconnected System for the benefit of Newfoundland Power's customers. Accordingly, the factual premise underlying the Consumer Advocate's recommendation with respect to the Topsail Hydro Plant, namely that the plant was not providing energy to customers and had no identified return-to-service date, no longer applies. Newfoundland Power submits that the Consumer Advocate's recommendation with respect to the Topsail Hydro Plant should be rejected.

Victoria Hydro Plant

The Victoria Hydro Plant has been out of service following a penstock failure in 2023. The failed penstock was subsequently demolished in 2024 because it posed a safety risk.[158] The *Victoria Hydro Plant Refurbishment* project remains within Newfoundland Power's capital planning process and is identified in the *2027 Capital Budget Overview* as a deferred project. The project, originally planned for 2026, has been deferred to 2028 to permit further engineering and economic assessment of the future of the plant.[159]

[155] See the response to RFI CA-NP-052.
[156] Consumer Advocate's Submission, page 16.
[157] Since it was placed back into service on October 9, 2026, the Topsail Hydro Plant has not been offline.
[158] See the response to RFI CA-NP-051.
[159] Application, *2027 Capital Budget Overview,* Appendix B, Table B-1.

Removal of the Victoria Hydro Plant from rate base at this time would be premature. Following the penstock failure and its subsequent demolition for safety reasons, Newfoundland Power is undertaking engineering and economic assessments to determine whether refurbishment and return to service or retirement and abandonment represents the least-cost option for customers. If retirement and abandonment is determined to be the least-cost option, Newfoundland Power would proceed in accordance with section 38 of the *Public Utilities Act*, which establishes a process for abandonment of plant. Until it has been determined whether refurbishment or retirement is in the best interest of customers, the Company has a statutory obligation to maintain hydro plants in accordance with section 37 of the *Public Utilities Act*, which requires the Company to maintain facilities that are reasonably safe.[160]

The *Victoria Hydro Plant Refurbishment* project remains within the Company's capital planning process and is currently deferred to 2028 to permit further assessment of the future of the plant. Newfoundland Power submits that in these circumstances, and having regard to section 78(2)(c) of the *Public Utilities Act*, the Consumer Advocate's recommendation to remove the Victoria Hydro Plant from rate base at this time should be rejected.

[160] The dams at the Victoria Hydro Plant impound Blue Hill Pond and Rocky Pond in the hills above the Town of Victoria. Sections 43 and 44 of the *Water Resources Act*, SNL 2002, c. W-4.01, require Newfoundland Power to maintain the dams and other water control structures in good repair and to carry out periodic inspections as well as other duties. Dam-safety management is also informed by the *Dam Safety Guidelines, 2007*, as amended, issued by the Canadian Dam Association.

6.2.10 Recommendation #11

Consumer Advocate's Submission

The Consumer Advocate reiterated its position to maintain its motion filed September 10, 2026, asking the Board to order an independent assessment of AMI and recommends the Board grant the relief sought in the motion.[161]

Newfoundland Power's Response

Newfoundland Power provided its comments on the *Consumer Advocate's Motion - Requesting an Independent Assessment of Advanced Metering Infrastructure* (the "Motion") on October 23, 2026.

Newfoundland Power submitted that the Motion should be denied on the basis that the evidentiary record developed throughout the Company's *2025/2026 General Rate Application*, *2026 Capital Budget Application*, and the 2027 Capital Budget provides the Board with a sufficient basis to determine the matters that are properly before it in the Application. Directing an independent assessment of AMI is neither necessary nor in the best interests of Newfoundland Power customers.[162]

Newfoundland Power maintains its position made in its comments filed on October 23, 2026, and makes no further comment on the Motion in this submission.

[161] Consumer Advocate's Submission, page 17.

[162] See *Newfoundland Power's 2027 Capital Budget Application – Consumer Advocate's Motion Requesting an Independent Assessment of Advanced Metering Infrastructure – Submission of Newfoundland Power Inc.*, dated October 23, 2026.

7.0 CONCLUSIONS

7.1 Capital Expenditures

The projects and programs proposed in the Amended Application are necessary to: (i) respond to customer growth and changes in customer requirements; (ii) replace deteriorated, deficient or failed equipment; (iii) respond to mandatory requirements; (iv) address safety and environmental issues; or (v) maintain or improve operational efficiencies and customer service levels.

The submissions of Hydro and the Consumer Advocate do not provide the evidence to refute the need or justification of any project or program proposed in the Amended Application. The record of this proceeding together with this submission have fully addressed the issues raised in Hydro's and the Consumer Advocate's submissions.

The Company submits that its justifications for proposed capital projects and programs are based on sound engineering judgments that have not been contradicted by any evidence on the record. The 2027 Capital Budget includes consideration of all reasonable alternatives and demonstrates that the proposed projects and programs are necessary to maintain safe and adequate facilities, and to provide electrical service that is least cost, reliable and environmentally responsible.

Newfoundland Power submits that pursuant to section 41 of the *Public Utilities Act*, single-year 2027 capital expenditures of $79,411,000 comprising projects and programs costing in excess of $750,000, single-year 2027 capital expenditures of $9,723,000 comprising projects and programs costing $750,000 and under, and multi-year capital expenditures of $9,551,000 in 2027, $23,304,000 in 2028 and $12,867,000 in 2029 should be approved. Including $50,664,000 in 2027 capital expenditures associated with multi-year projects previously

approved by the Board, the 2027 Capital Budget of $149,349,000 represents the capital expenditures required in 2027 to meet Newfoundland Power's statutory obligations, including the delivery of reliable service to its customers at the lowest possible cost, in an environmentally responsible manner.

7.2 Rate Base

Newfoundland Power has requested that the Board fix and determine the Company's 2025 average rate base. Schedule D to the Application shows Newfoundland Power's actual average rate base for 2025.

The Board's financial consultants, Grant Thornton, have reviewed the calculation of Newfoundland Power's 2025 actual average rate base and confirmed that it is accurate and in accordance with established practice and Board Orders.[163]

Based upon the evidence before the Board, and pursuant to section 78 of the *Public Utilities Act*, the Board should fix and determine Newfoundland Power's average rate base for 2025 at $1,419,718,000.

[163] Grant Thornton, Letter to the Board *Re: Newfoundland Power Inc. - 2027 Capital Budget Application*, dated August 6, 2026.

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 29th day of October 2026.



NEWFOUNDLAND POWER INC.
P.O. Box 8910
55 Kenmount Road
St. John's, Newfoundland A1B 3P6

Telephone: (709) 737-5500 ext. 6200