

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 2(2024)

1 **IN THE MATTER OF** the **Electrical Power**
2 **Control Act, 1994**, SNL 1994, Chapter E-5.1
3 (the “**EPCA**”) and the **Public Utilities Act**,
4 RSNL 1990, Chapter P-47 (the “**Act**”), as
5 amended, and regulations thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland Power Inc. for an Order pursuant
9 to sections 41 and 78 of the **Act**: (a) approving its
10 2024 Capital Budget; (b) providing approval to
11 proceed with the construction, purchase or lease of
12 improvements or additions; and (c) fixing and
13 determining its average rate base for 2022.
14
15

16 **WHEREAS** Newfoundland Power Inc. (“Newfoundland Power”) is a corporation duly organized
17 and existing under the laws of the Province of Newfoundland and Labrador, is a public utility
18 within the meaning of the **Act**, and is also subject to the provisions of the **EPCA**; and
19

20 **WHEREAS** subsection 41(1) of the **Act** requires a public utility to submit an annual capital budget
21 of proposed improvements or additions to its property for approval of the Board no later than
22 December 15th in each year for the next calendar year; and
23

24 **WHEREAS** subsection 41(3) of the **Act** and **Public Utilities Regulations**, NLR 40/23, prohibit a
25 public utility from proceeding with the construction, purchase or lease of improvements or
26 additions to its property where the cost of construction or purchase is in excess of \$750,000
27 without prior approval of the Board; and
28

29 **WHEREAS** section 78 of the **Act** gives the Board the authority to fix and determine the rate base
30 for the service provided or supplied to the public by the utility and also gives the Board the power
31 to revise the rate base; and
32

33 **WHEREAS** Newfoundland Power filed its 2024 Capital Budget Application (the “Application”) on
34 June 22, 2023 requesting that the Board make an order:

- 1 a) approving a 2024 Capital Budget of \$115,252,000 including:
2 i. single-year project and program expenditures in excess of \$750,000 in the
3 amount of \$84,583,000;
4 ii. single-year project and program expenditures \$750,000 and under in the
5 amount of \$10,514,000;
6 iii. multi-year programs with 2024 expenditures of \$5,234,000; and
7 iv. previously approved multi-year projects with 2024 expenditures of
8 \$14,921,000;
9 b) approving Newfoundland Power’s proposed multi-year construction and purchase
10 of improvements or additions to its property in the amount of \$19,414,000 in 2025
11 and \$297,000 in 2026; and
12 c) fixing and determining Newfoundland Power’s average rate base for 2022 in the
13 amount of \$1,230,434,000; and
14

15 **WHEREAS** notice of the Application, including an invitation to participate, was published in
16 papers in the province on July 8, 2023 and details of the Application and supporting
17 documentation were posted on the Board’s website; and
18

19 **WHEREAS** the intervenors are Newfoundland and Labrador Hydro (“Hydro”) and the Consumer
20 Advocate, Dennis Browne, KC (the “Consumer Advocate”); and
21

22 **WHEREAS** on July 26, 2023 Newfoundland Power provided an overview of the Application in a
23 presentation to the Consumer Advocate, his counsel and consultants, and counsel and staff from
24 Hydro and the Board, with participants given an opportunity to ask questions and raise areas of
25 concern; and
26

27 **WHEREAS** on August 30, 2023 Grant Thornton LLP (“Grant Thornton”), the Board’s financial
28 consultant filed a report on its review of the calculations of Newfoundland Power’s 2022 average
29 rate base and this report was circulated to the parties; and
30

31 **WHEREAS** on August 31, 2023 Newfoundland Power responded to 239 Requests for Information
32 (“RFIs”) issued by the Board, Hydro, and the Consumer Advocate; and
33

34 **WHEREAS** on September 21, 2023 the Consumer Advocate filed a report entitled “Utility
35 Management Responsibility Report” authored by Midgard Consulting Incorporated which
36 provided a jurisdictional scan of regulatory capital budget processes and conclusions on best
37 practices implemented by provincial regulatory boards across Canada; and
38

39 **WHEREAS** on October 11, 2023 Newfoundland Power responded to 69 additional RFIs issued by
40 the Board, Hydro, and the Consumer Advocate; and
41

42 **WHEREAS** on October 11, 2023, the Consumer Advocate responded to 13 RFIs issued by
43 Newfoundland Power; and

1 **WHEREAS** on November 23 and 27, 2023 Hydro and the Consumer Advocate, respectively, filed
2 submissions and on December 4, 2023 Newfoundland Power filed a reply submission; and
3

4 **WHEREAS** Hydro did not object to any of the capital expenditures proposed in the Application;
5 and
6

7 **WHEREAS** the Consumer Advocate commented on several issues and made the following
8 recommendations:

- 9 i) the proposed expenditures for the Memorial Substation Refurbishment and
10 Modernization project of \$4,351,000 should be approved for 2024 conditional on
11 a contribution from Memorial University;
12 ii) the proposed expenditures for the Extensions program should be set at
13 \$11,376,000, a reduction of \$764,000;
14 iii) the proposed expenditures for the New Services program should be set at
15 \$2,714,000, a reduction of \$133,000; and
16 iv) the proposed expenditures for the Reconstruction, Rebuild Distribution Lines,
17 Relocate/Replace Distribution Lines for Third Parties, Replacement Transformers,
18 New Transformers, New Street Lighting, Replacement Street Lighting, Substation
19 Replacements Due to In-Service Failures, and Transmission Line Maintenance
20 programs should be set at \$32,179,000, a reduction of \$1,699,000;¹ and
21

22 **WHEREAS** the Board has reviewed the record and is satisfied that to provide for timely approval
23 an Order respecting the Application should be issued at this time with reasons to be issued
24 separately; and
25

26 **WHEREAS** the Board is satisfied that an Order should be issued:

- 27 i) granting approval for Newfoundland Power to proceed with the proposed
28 construction, purchase or lease of improvements or additions to its property,
29 pursuant to subsection 41(3) of the **Act**, except that the Board has determined
30 that the proposed expenditures should be reduced by \$500,000 for the Extensions
31 program, \$300,000 for the Relocate/Replace Distribution Lines for Third Parties
32 program and \$200,000 for the New Street Lighting program;
33 ii) approving Newfoundland Power's 2024 Capital Budget, pursuant to subsection
34 41(1) of the **Act**, in the amount of \$114,252,000, which is \$1,000,000 less than
35 proposed as a result of the Board's findings with respect to the Extensions
36 program, the Relocate/Replace Distribution Lines for Third Parties program and
37 the New Street Lighting program;
38 iii) fixing and determining Newfoundland Power's proposed average rate base for
39 2022, pursuant to section 78 of the **Act**; and
40 iv) directing Newfoundland Power to review and file, as part of its 2025 Capital
41 Budget Application, a report in relation to the use of historical averages in

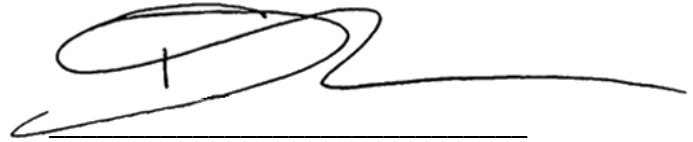
¹ The Consumer Advocate recommended on page 19 that that the proposed expenditures for these programs be reduced to \$32,806,000 which would be a reduction of \$1,072,000.

1 determining the proposed expenditures for projects/programs, addressing the
2 matters set out in the Board's reasons for decision to be issued separately.
3
4

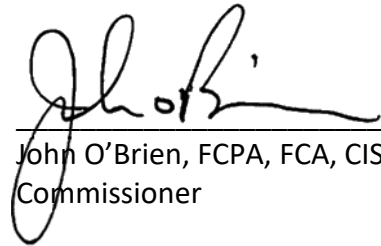
5 **IT IS THEREFORE ORDERED:**
6

- 7 1. Newfoundland Power's proposed construction and purchase of improvements or additions
8 to its property in excess of \$750,000 to be completed in 2024, as set out in Schedule A to
9 this Order, are approved.
10
- 11 2. Newfoundland Power's proposed multi-year construction and purchase of improvements
12 or additions to its property in excess of \$750,000, as set out in Schedule B to this Order, are
13 approved.
14
- 15 3. Newfoundland Power's 2024 Capital Budget for improvements or additions to its property
16 in an amount of \$114,252,000, as set out in Schedule C to this Order, is approved.
17
- 18 4. Newfoundland Power's average rate base for the year ending December 31, 2022 is hereby
19 fixed and determined at \$1,230,434,000.
20
- 21 5. Unless otherwise directed by the Board, Newfoundland Power shall file an annual report to
22 the Board on its 2024 capital expenditures by April 1, 2025.
23
- 24 6. Unless otherwise directed by the Board, Newfoundland Power shall file a report with its
25 2025 Capital Budget Application in relation to how historical averages are used by
26 Newfoundland Power to determine proposed capital expenditures.
27
- 28 7. Unless otherwise directed by the Board, Newfoundland Power shall provide, in conjunction
29 with its 2025 Capital Budget Application, a status report on the 2024 capital budget
30 expenditures showing for each project:
31 i) the approved budget for 2024;
32 ii) the expenditures prior to 2024;
33 iii) the 2024 expenditures to the date of the application;
34 iv) the remaining projected expenditures for 2024;
35 v) the variance between the projected total expenditures and the approved budget; and
36 vi) an explanation of the variance.
37
- 38 8. Newfoundland Power shall pay all costs and expenses of the Board incurred in connection
39 with the Application.

DATED at St. John's, Newfoundland and Labrador, this 18th day of January 2024.



Dwanda Newman, LL.B.
Vice-Chair



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Jo-Anne Galarneau
Executive Director and Board Secretary

Newfoundland Power Inc.
2024 Capital Budget
Single-Year Projects Over \$750,000
(\$000)

<u>Project Description</u>	<u>2024</u>
<u>Mandatory</u>	
General Expenses Capitalized	4,500
Allowance for Unforeseen Items	750
Total Mandatory	<u>\$ 5,250</u>
<u>Access</u>	
Extensions	11,640
Relocate/Replace Distribution Lines for Third Parties	3,766
New Transformers	3,264
New Services	2,847
New Street Lighting	2,429
Total Access	<u>\$ 23,946</u>
<u>System Growth</u>	
Feeder Additions for Load Growth	2,811
Total System Growth	<u>\$ 2,811</u>
<u>Renewal</u>	
Reconstruction	6,953
Gambo Substation Refurbishment and Modernization	5,267
Rebuild Distribution Lines	4,974
Substation Replacements Due to In-Service Failures	4,797
Memorial Substation Refurbishment and Modernization	4,351
Replacement Transformers	3,681
Old Perlican Substation Refurbishment and Modernization	3,356
Transmission Line Maintenance	2,651
Mobile Hydro Plant Surge Tank Refurbishment	977
Distribution Reliability Initiative	900
Replacement Street Lighting	863
Distribution Feeder OXP-01 Refurbishment	840
Hydro Facility Rehabilitation	794
Total Renewal	<u>\$ 40,404</u>
<u>Service Enhancement</u>	
LED Street Lighting Replacement	5,541
Distribution Feeder Automation	888
Total System Enhancement	<u>\$ 6,429</u>
<u>General Plant</u>	
Application Enhancements	1,892
Shared Server Infrastructure	964
System Upgrades	957
Cybersecurity Upgrades	930
Total General Plant	<u>\$ 4,743</u>
Total Expenditures Single-Year Projects over \$750,000	<u><u>\$ 83,583</u></u>

Newfoundland Power Inc.
 2024 Capital Budget
 Multi-Year Projects Over \$750,000
 (\$000)

Multi-year Projects Commencing in 2024

Classification	Project Description	2024	2025	2026	Total
Renewal	Transmission Line 146L Rebuild	2,152	9,209		11,361
	Lookout Brook Hydro Plant Refurbishment	362	1,573		1,935
	Islington Substation Refurbishment and Modernization	308	4,706		5,014
General Plant	Gander Building Renovation	175	760		935
	Replace Vehicles and Aerial Devices 2024-2025	1,940	2,869		4,809
	Microsoft Enterprise Agreement	297	297	297	891
Total Multi-Year Projects over \$750,000 commencing in 2024		\$ 5,234	\$ 19,414	\$ 297	\$ 24,945

Newfoundland Power Inc.
2024 Capital Budget
(000s)

Projects/Programs Over \$750,000 to be completed in 2024	83,583
Multi-Year Projects/Programs over \$750,000 commencing in 2024	5,234
Projects/Programs Under \$750,000 to be completed in 2024 ¹	10,514
Multi-Year Projects/Programs Approved in Previous Years ²	14,921
Total 2024 Capital Budget	\$ 114,252

¹ See Schedule C: Appendix 1 for details.

² See Schedule C: Appendix 2 for details.

Newfoundland Power Inc.
2024 Capital Budget
Single-Year Projects Under \$750,000
(\$000)

<u>Project Description</u>			<u>2024</u>
<u>Mandatory</u>			
PCB Removal		544	
Allowance for Funds Used During Construction		260	
Total Mandatory			\$ 804
<u>Access</u>			
New Meters		302	
Total Access			\$ 302
<u>System Growth</u>			
Oxen Pond Substation Bus Upgrade		451	
Total System Growth			\$ 451
<u>Renewal</u>			
Hydro Plant Replacements Due to In-Service Failures		716	
Transmission Line 24L Relocation		701	
Distribution Feeder GDL-02 Refurbishment		667	
Substation Protection and Control Replacements		635	
Replacement Meters		571	
Replacement Services		457	
Oxen Pond Substation Switch Replacements		316	
Thermal Plant Replacements Due to In-Service Failures		311	
Distribution Feeder BIG-02 Relocation		196	
Total Renewal			\$ 4,570
<u>Service Enhancement</u>			
Substation Ground Grid Upgrades		580	
Total System Enhancement			\$ 580
<u>General Plant</u>			
Personal Computer Infrastructure		720	
Additions to Real Property		655	
Tools and Equipment		570	
Energized Conductor Support Tools		539	
Network Infrastructure		420	
Physical Security Upgrades		401	
Fibre Optic Cable Build		380	
Communications Equipment Upgrades		122	
Total General Plant			\$ 3,807
Total Expenditures Single-Year Projects Under \$750,000			\$ 10,514

Newfoundland Power Inc.
2024 Capital Budget
Multi-Year Projects Previously Approved by the Board
(\$000)

Approved	Classification	Project Description	2022	2023	2024	Total	
P.U. 38(2022)	Renewal	Mobile Hydro Plant Refurbishment		1,666	2,480	4,146	
		Transmission Line 55L Rebuild		5,328	5,284	10,612	
		Distribution Reliability Initiative (SUM-01)		656	1,015	1,671	
	General Plant	Replace Vehicles and Aerial Devices 2023-2024		2,833	1,866	4,699	
	Total Multi-Year Projects Commencing in 2023			\$	\$ 10,483	\$ 10,645	\$ 21,128
P.U. 36(2021)	Renewal	Transmission Line 94L Rebuild	4,473	4,346	4,276	13,095	
		Total Multi-Year Projects Commencing in 2022			\$ 4,473	\$ 4,346	\$ 4,276
		Total Multi-Year Projects Previously Approved by the Board			\$ 4,473	\$ 14,829	\$ 14,921
			\$ 4,473	\$ 14,829	\$ 14,921	\$ 34,223	