
Newfoundland and Labrador
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

IN THE MATTER OF THE
2026 CAPITAL BUDGET APPLICATION
FILED BY
NEWFOUNDLAND AND LABRADOR HYDRO

Decision and Order of the Board
ORDER NO. P.U. 2(2026)

BEFORE:

Kevin Fagan
Chair and Chief Executive Officer

John O'Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LL.B., FCIP
Commissioner

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

AN ORDER OF THE BOARD

NO. P.U. 2(2026)

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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro for an Order pursuant to sections 41 and 78 of the **Act**:
(a) approving its capital budget for 2026;
(b) approving its proposed capital purchases and construction projects for 2026; (c) approving contributions by certain customers for contributions towards the cost of improvements to certain property; and (d) fixing and determining its average rate base for 2024.

BEFORE:

Kevin Fagan
Chair and Chief Executive Officer

John O’Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LL.B., FCIP
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1. DECISION SUMMARY

The Board approves Newfoundland and Labrador Hydro's ("Hydro") 2026 Capital Budget in the amount of \$130,343,100¹ which includes expenditures of:

- \$61,772,700 for single year projects and programs in excess of \$750,000;
- \$17,094,700 for projects and programs \$750,000 and under which do not require Board approval;
- \$16,520,800 for multi-year projects in excess of \$750,000 commencing in 2026; and
- \$34,954,900 for ongoing multi-year projects with expenditures in 2026 previously approved by the Board.

The Board does not approve the Widen Right of Way - Gros Morne National Park (2026–2028) project with a 2026 budget of \$1,220,000 as the Board considers it to be an operating expense rather than a capital expenditure. The Board is satisfied that the remaining proposed expenditures for new projects/programs which require the approval of the Board are justified based on the evidence which shows that these capital expenditures are reasonable and necessary.

The Board approves 2026 capital expenditures of \$1,531,800 reflecting customer contributions related to asset renewal projects that only serve a single customer.

The Board approves Hydro's 2024 average rate base in the amount of \$2,379,043,000 on the basis that it complies with established practice and relevant Board Orders.

2. BACKGROUND

Section 41 of the **Act** requires a public utility to submit an annual capital budget of proposed improvements or additions to its property for approval of the Board no later than December 15 in each year for the next calendar year. A utility must also include an estimate of contributions toward the cost of improvements or additions to its property which it intends to demand from its customers.

Subsection 41(3) of the **Act** prohibits a utility from proceeding with the construction, purchase or lease of improvements or additions to its property without the prior approval of the Board where the cost of the construction or purchase or lease is in excess of the amount prescribed in the regulations. Section 3 of **Public Utilities Regulations**, NLR 40/23, sets the threshold for Board approval at \$750,000.

¹ The Board notes that the proposed 2026 expenditures total is \$131,563,100; however Hydro states in its Application that the proposed numbers may not add due to rounding. The Board has also removed \$1,220,000 for the Widen Right of Way - Gros Morne National Park (2026-2028) Project.

Section 78 of the **Act** gives the Board the authority to fix and determine the rate base for the service provided or supplied by a utility and also gives the Board the power to revise the rate base. Section 78 also guides the Board on the elements included in a utility's rate base.

The process to be followed for capital budget applications is set out in the Board's Capital Budget Application Guidelines (Provisional), January 2022 (the "Guidelines").² The Board conducted this proceeding pursuant to the Guidelines.

3. APPLICATION

Hydro filed its 2026 Capital Budget Application with the Board on July 15, 2025 (the "Application"). The Application requested that the Board make an order:

- (a) approving Hydro's 2026 capital budget of \$131.6 million;
- (b) approving Hydro's 2026 capital purchases and construction projects in excess of \$750,000;
- (c) approving a contribution by identified customers of an amount equal to the capital cost of the work related to assets which solely serve the identified customer; and
- (d) fixing and determining Hydro's average rate base for 2024 in the amount of \$2,379,043,000.

3.1. Process

Notice of the Application, including an invitation to participate, was published on July 30, 2025. Details of the Application and supporting documentation were posted on the Board's website.

Newfoundland Power Inc. ("Newfoundland Power"), a group of industrial customers (the "Island Industrial Customer Group"),³ and the Consumer Advocate, Dennis Browne, KC (the "Consumer Advocate") intervened (the "Intervenors") in the Application.

On August 19, 2025 Hydro presented an overview of the Application in a presentation to Board staff and the Intervenors. This process provided participants with an opportunity to ask questions or raise areas of concern with respect to the Application.

The Board, Newfoundland Power, the Island Industrial Customer Group, and the Consumer Advocate issued 173 Requests for Information ("RFIs") in total to Hydro. Hydro responded to these requests on September 26, 2025.

² The Capital Budget Application Guidelines were originally established in 2007. The Provisional Guidelines established in 2022 are being reviewed in a separate Board process.

³ Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) LP and Vale Newfoundland and Labrador Limited are the members of the Island Industrial Customer Group.

On September 25, 2025 Doane Grant Thornton LLP, the Board's financial consultant, filed a report on its review of the calculation of Hydro's 2024 average rate base. The Board provided a copy of this report to the Intervenor.

The Board, Newfoundland Power, and the Consumer Advocate issued an additional 41 RFIs in total to Hydro based on responses to the initial round of RFIs. Hydro responded to these requests on November 7, 2025.

Newfoundland Power and the Consumer Advocate filed written submissions on December 2, 2025. On December 4, 2025, the Island Industrial Customer Group advised that it would not be filing a final written submission.⁴ Hydro filed its reply submission on December 9, 2025.

3.2. Submissions

Newfoundland Power did not object to any proposed expenditures in the Application, but did highlight concerns with the estimation approach used by Hydro for its proposed general plant Perform Facilities Refurbishments program.

The Consumer Advocate objected to the proposed project to widen the right of way near Gros Morne National Park and also raised six broad issues related to finalizing the Guidelines, Hydro's project execution, Hydro's estimating processes, Hydro's metering, the Newfoundland and Labrador power sector relative to other provinces, and customer willingness to pay for reliability improvements.

Hydro responded to the issues raised by Newfoundland Power and the Consumer Advocate. Hydro submitted that the capital work proposed in the Application is necessary to ensure that Hydro can continue to provide service that is reasonably safe and adequate and just and reasonable and requested that the Board approve the Application.

4. BOARD DECISION

In considering the Application, the Board must assess whether approval of the proposals is consistent with the statutory obligations imposed on the Board and Hydro.⁵ In particular, section 3(b) of the **EPCA** requires a public utility to manage and operate its facilities for the efficient production, transmission and distribution of power in a manner that would result in consumers in the province having equitable access to an adequate supply of power at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

As noted by the Guidelines, appropriate capital spending is in the interests of both customers and utilities, as customers benefit from a utility which is well positioned to provide safe, reliable

⁴ The intervenors did not submit a request for a technical conference or an oral hearing.

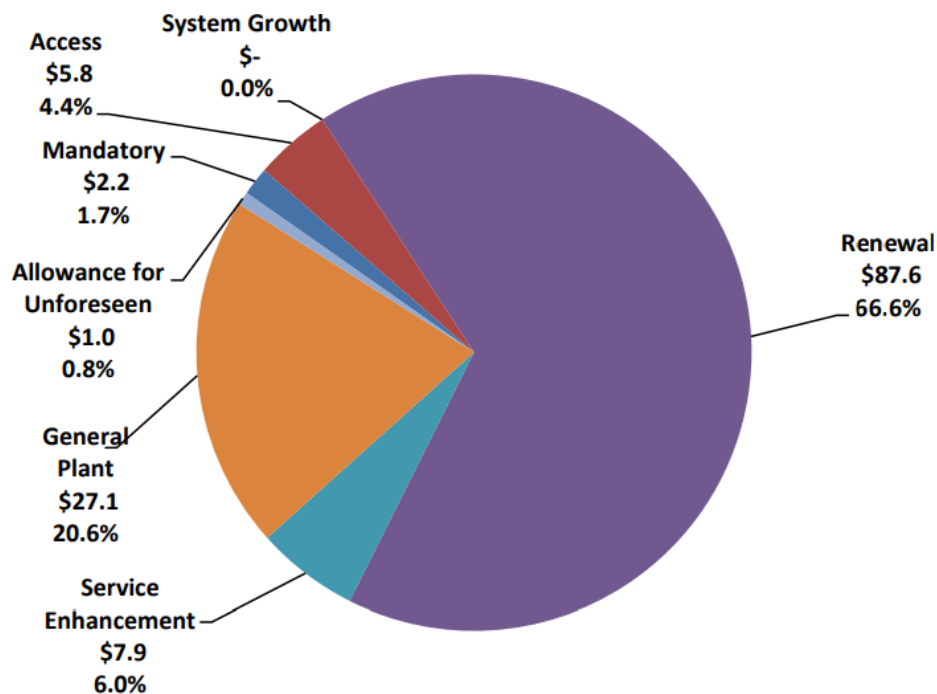
⁵ Sections 37 and 54 of the **Act** and Sections 3 and 4 of the **EPCA**.

and adequate service and utilities benefit when the rates paid by customers are reasonable and just.⁶

The burden of proof is on the utility to provide sufficient evidence to justify its capital budget application proposals. In accordance with the legislation, regulations, and Guidelines, Hydro provided information relating to the proposed 2026 Capital Budget, capital expenditures, and 2024 average rate base. The Application also included information required to be filed in compliance with previous Board Orders including a status report on 2025 capital expenditures, an overview of future operation and capital expenditure requirements for the Holyrood Thermal Generating Station, a five-year capital plan, and projected capital expenditures and capital plan for the Bay d'Esprit Hydroelectric Generating Station over the 2026-2035 period, as well as evidence relating to deferred proposals and a reconciliation of average rate base to invested capital. As required by the Guidelines, the Application included a prioritized list of all projects and programs organized by investment classification.

Hydro's proposed 2026 Capital Budget by investment classification is shown below.

Hydro 2026 Capital Budget Proposal by Investment Classification (\$ Millions)⁷



The Board has reviewed the evidence including the Application and supporting materials, RFI responses, Doane Grant Thornton LLP's report, and submissions from the Intervenor and Hydro. The Board's determinations in relation to the proposed capital expenditures, the 2026 Capital

⁶ Guidelines, pages 1 of 18 to 2 of 18.

⁷ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, page 31, Chart 16.

Budget, the 2024 average rate base and the issues raised by Newfoundland Power and the Consumer Advocate are set out below.

4.1. Proposed Capital Expenditures

Hydro has proposed 43 projects and programs with expenditures over \$750,000 which require the approval of the Board.⁸ There are 42 proposed projects and programs with expenditures less than \$750,000 which do not require the approval of the Board.⁹ There are 19 projects and programs previously approved by the Board with expenditures over \$750,000¹⁰ and 13 projects and programs with expenditures less than \$750,000 for prior years.¹¹

The evidence provided in support of the proposed expenditures in excess of \$750,000 includes project and program descriptions and justifications, asset overviews, evaluation of alternatives, risk assessments, costing methodologies, and engineering and technical reports. Further information was provided by Hydro in response to the RFIs filed in this proceeding. The Application also provides descriptions of the projects and programs with expenditures less than \$750,000.

The Board's findings with respect to the proposed Mandatory, Access, General Plant, Renewal, Service Enhancement, System Growth and Allowance for Unforeseen Items expenditures are discussed below.

4.1.1. Mandatory

Mandatory investments are those prescribed by a governing body, such as the provincial government, the federal government, or the Board. Hydro's mandatory expenditures for 2026 are \$2,172,800, accounting for approximately 1.7% of the proposed 2026 Capital Budget.

There is one mandatory project with an expenditure over \$750,000 requiring Board approval for the purchase and replacement of meters for customers in Labrador East.¹² Total expenditures for this project are \$1,188,800 in 2026, \$485,800 in 2027 and \$494,300 in 2028.

There is one mandatory program with expenditures under \$750,000 that does not require Board approval to purchase new meters for its inventory of residential, commercial, and industrial customers. Total expenditures for this program are \$705,600 in 2026.¹³ Additionally, Hydro's 2026 mandatory expenditures include one program with an expenditure of \$278,400 in 2026.¹⁴

⁸ Proposed expenditures are \$79,513,500 in 2026, \$30,783,900 in 2027, \$12,666,800 in 2028 and \$3,187,100 in 2029.

⁹ Proposed expenditures are \$13,630,200 in 2026, and \$4,219,400 in 2027.

¹⁰ Proposed expenditures are \$34,954,900 in 2026, \$13,831,800 in 2027 and \$2,625,000 in 2028.

¹¹ Proposed expenditures are \$3,464,500 in 2026 and \$166,500 in 2027.

¹² Upgrade PLX Metering System (2026-2028) - Labrador East.

¹³ Application, Volume II, Programs and Projects Under \$750,000, page 7 of 15.

¹⁴ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Appendix B, page B-4.

The Intervenor did not oppose the proposed mandatory expenditures. The Board finds that the proposed mandatory expenditures are consistent with the Guidelines and Board orders and should be approved.

4.1.2. Access

Investments in access are those required to meet Hydro's obligation to provide customers with access to electricity services. Hydro's access expenditures for 2026 are \$5,810,600, accounting for approximately 4.4% of the proposed 2026 Capital Budget.

There is one access project and one access program with expenditures over \$750,000 requiring Board approval which accounts for \$5,810,600 in 2026 and \$952,700 in 2027¹⁵ of the total proposed expenditures. These projects/programs provide for an annual allotment for new service connections and street lights based on past expenditures and forecasted activity within the Central, Northern, and Labrador regions and include a new project to upgrade the distribution system in Wiltondale.

There are no proposed access projects or programs with expenditures below \$750,000. There are no access expenditures in 2026 for programs or projects previously approved by the Board.

The Intervenor did not oppose the proposed access expenditures. The Board is satisfied that Hydro's access expenditures are reasonable and necessary for Hydro to meet its obligation to provide customers with access to electricity services. The Board finds that Hydro has sufficiently justified its access expenditures for its 2026 Capital Budget.

4.1.3. General Plant

General Plant investments are those related to assets that are not part of Hydro's generation, transmission, and distribution system. This includes systems such as water and sewer, fire protection, general maintenance and renovations, property assets, and human resource or employee service needs. Hydro's general plant expenditures for 2026 are \$27,088,500, accounting for approximately 20.6% of the proposed 2026 Capital Budget.

There are 14 general plant projects and programs with expenditures over \$750,000 requiring Board approval. The total proposed expenditures for these projects and programs are \$16,495,800 in 2026, \$6,457,700 in 2027 and \$4,541,400 in 2028. These projects and programs include expenditures for vehicles, tools and equipment, IT software and hardware upgrades, and facility refurbishments.

- Expenditures of \$8,992,700 in 2026, \$4,738,600 in 2027, and \$4,541,400 in 2028 are proposed for eight programs concerning Hydro's vehicles, tools, and equipment.¹⁶ These

¹⁵ Provide Service Extensions (2026) and Upgrade Distribution System (2026-2027) - Wiltondale.

¹⁶ Replace Heavy-Duty Vehicles (2026-2028); Replace Heavy-Duty Mobile Equipment (2026-2028); Replace Light-Duty Vehicles (2026-2027); Replace Light-Duty Mobile Equipment (2026); Purchase Tools and Equipment (2026);

expenditures will allow Hydro to replace 35 light-duty and 7 heavy-duty vehicles as well as mobile equipment based on established replacement criteria. In addition, these expenditures will be used for adding or replacing necessary tools and equipment, primarily driven by the operation requirements of Hydro's Generation, Telecontrol, and Transmission and Rural Operations groups.

- Expenditures of \$4,475,200 in 2026 and \$1,719,100 in 2027 are proposed for five projects and programs to replace or upgrade Hydro's technology assets.¹⁷ These expenditures will allow Hydro to perform software upgrades, replace equipment and perform enhancements to improve the functionality and security of its systems and applications.
- Expenditures of \$3,027,900 in 2026 are proposed for one new program to refurbish Hydro's building class of assets as they reach the end of design life or require attention due to obsolescence or anticipated failure.¹⁸ This program is intended to consolidate Hydro's facility refurbishment projects, each of which carries an estimated value less than the \$750,000 legislative threshold.

There are also 18 general plant projects/programs with expenditures under \$750,000 which do not require Board approval. Total expenditures for these projects/programs are \$6,178,200 in 2026 and \$1,488,700 in 2027.¹⁹ Additionally, there are four general plant projects/programs with expenditures over \$750,000 previously approved by the Board with expenditures in the amount of \$2,870,900 in 2026 and \$5,766,600 in 2027 and six general plant projects/programs under \$750,000 for prior years with expenditures of \$1,543,600 in 2026.²⁰

For the Replace Light-and Heavy-Duty Vehicles (2024-2026) program, Hydro indicated that the scope had changed to include additional vehicles and the expenditures had increased due to higher tender prices and timing of vehicle deliveries. The 2026 budget estimate increased from \$84,000 to \$1,133,400 and the total program budget had increased from \$5,636,300 to \$6,761,300.

Newfoundland Power noted that Hydro's approach to determining annual expenditures for the proposed Perform Facilities Refurbishments program is based on depreciation and that Hydro has not completed a jurisdictional review of how other Canadian utilities estimate capital expenditure requirements for facilities refurbishments, or the appropriateness of using a depreciation-based methodology for capital budget estimation. Newfoundland Power recommended that Hydro consider alternative budgeting methodologies for this program as part of the 2027 Capital Budget Application, and going forward, including the use of historical

Replace Teleprotection Equipment (2026-2028); Replace 48V Battery Banks and Chargers (2026-2027); and, Replace Radio Link to Hydraulic Control Structure (2026-2027) - Ebbegunbaeg.

¹⁷ Perform Software Upgrades and Minor Enhancements - Information Technology (2026-2027); Upgrade Core IT Infrastructure (2026-2027); Replace Network Communications Equipment (2026-2027); Purchase Personal Computers (2026); and, Upgrade Core OT Infrastructure (2026).

¹⁸ Perform Facilities Refurbishments (2026).

¹⁹ Application, Volume II, Programs and Projects Under \$750,000, page 1 of 15 to page 6 of 15.

²⁰ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Appendix B, page B-4.

averages.²¹

Hydro stated that using depreciation as the basis for its capital expenditure estimate offered a reasonable analogue for the physical depreciation of assets and the investment required to maintain them.²² Hydro submitted that it aims to ensure that investments adequately address deferred maintenance on its facilities to ensure longevity while managing costs. Hydro stated that a broader comparison with other utilities may not yield relevant data due to regulatory and structural differences, but agreed to proceed with the jurisdictional review and to share its findings with the Board and stakeholders when complete.²³

The Board notes that Perform Facilities Refurbishment is a new capital budget program proposed by Hydro. The Board is unable to determine, based on the information provided, if the approach for capital budget estimation proposed by Hydro is the most appropriate method for this program. The Board believes that information on how other Canadian utilities estimate capital expenditure requirements for facilities refurbishments would be beneficial. Hydro should conduct a review on the methodology for estimating capital expenditures for facilities refurbishment and file a report as part of its 2027 Capital Budget Application. The Board acknowledges that refurbishment work on Hydro's facilities is required in 2026 and will approve the proposed expenditures of \$3,027,900 for the 2026 Capital Budget.

The Board is satisfied that Hydro has sufficiently justified its general plant expenditures, including the increased budget estimate for the Replace Light-and Heavy-Duty Vehicles (2024-2026) program. The Board finds that the proposed general plant expenditures are reasonable and necessary to ensure the delivery of power to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service. The Board also accepts the general plant expenditures associated with projects previously approved by the Board, as the Application explains any material changes in the scope and cost of these projects.

4.1.4. Renewal

Renewal investments are those that are required to replace and/or refurbish system assets to maintain the ability to provide customers with their current electricity services. Hydro's 2026 renewal expenditures of \$87,623,200 account for approximately 66.6% of Hydro's proposed 2026 Capital Budget.

There are 21 renewal projects/programs with expenditures over \$750,000 requiring Board approval. The total proposed expenditures for these projects/programs are \$52,665,100 in 2026, \$15,050,900 in 2027, \$5,504,600 in 2028 and \$3,187,100 in 2029. Renewal projects/programs include expenditures for condition assessments, equipment overhauls, in-service failures, and asset refurbishment, replacement and upgrades.

²¹ Newfoundland Power Submission, page 2.

²² PUB-NLH-020.

²³ Hydro Submission, page 3.

- 1 • Expenditures of \$15,913,700 in 2026 are proposed for two projects/programs for
2 condition assessments.²⁴ These expenditures serve to identify damaged/deteriorated
3 components that are at risk of failure at the Holyrood Thermal Generating Station and on
4 Hydro's wood pole transmission system.
- 5 • Expenditures of \$13,735,500 in 2026 are proposed for four equipment overhaul
6 projects/programs.²⁵ These projects/programs involve expenditures on inspections and
7 associated refurbishments to support the continued safe and reliable operation of
8 Hydro's thermal equipment and major hydraulic assets. The overhauls proposed include
9 valves, generators and pumps at Holyrood, seven diesel units in Labrador, and hydraulic
10 units in Bay D'Espoir and Hind's Lake. These overhauls are generally consistent with
11 previously established overhaul cycles, Hydro's operating experience, and the original
12 equipment manufacturers' recommendations.
- 13 • Expenditures of \$16,707,700 are proposed for five programs to address in-service
14 failures.²⁶ These programs address situations where immediate refurbishment and/or
15 replacement is required because equipment has failed, is about to fail, or is deteriorating
16 faster than expected. These situations can be caused by events such as vandalism, storm
17 damage, lightning, accidental damage, abnormal system operations, corrosion, and wear
18 of mechanical components. In-service failure expenditures allow Hydro to maintain safe
19 and reliable operation of its thermal generation and hydraulic assets and ensure the
20 availability of capital spares needed to support such work. The proposed expenditures are
21 based on historical data and engineering judgment.
- 22 • Expenditures of \$6,308,200 in 2026, \$15,050,900 in 2027, \$5,504,600 in 2028 and
23 \$3,187,100 in 2029 are proposed for 10 projects/programs to refurbish, replace and/or
24 upgrade Hydro's assets.²⁷ These projects/programs involve work on assets that are
25 deteriorated, at the end of their useful life, or are obsolete. The justification for
26 refurbishment and/or replacement is based on concerns about performance, reliability,
27 condition, availability of parts, obsolescence, and compliance with environmental
28 regulations and industry standards.

29
30 Additionally, there are 11 renewal projects/programs with expenditures over \$750,000 previously
31 approved by the Board with expenditures in the amount of \$27,887,600 in 2026 and \$4,200,300
32 in 2027.²⁸ Hydro's 2026 Capital Budget also includes 6 renewal projects/programs under \$750,000

²⁴ Perform Boiler Condition Assessment and Miscellaneous Upgrades (2026) - Holyrood and Wood Pole Line Management (2026).

²⁵ Overhaul Turbine Valves and Generator - Unit 2 (2026) - Holyrood; Overhaul Major Pumps (2026) - Holyrood; Overhaul Diesel Units (2026); and, Overhaul Hydraulic Units (2026).

²⁶ Distribution System In-Service Failures, Miscellaneous Upgrades and Street Lights (2026); Thermal In-Service Failures (2026); Terminal Station In-Service Failures (2026); Hydraulic In-Service Failures (2026); and, Diesel In-Service Failures (2026).

²⁷ Replace Fuel Storage Tank (2026) - McCallum; L23/24 Steel-Tower Transmission Line Renewal (2026-2029); Renew Circuit Breakers (2026-2028); Renew Distribution Feeders (2026-2027); Replace Protective Relays (2026-2027); Replace Disconnects (2026-2028); Upgrade Power Transformers (2026-2027); Replace Roof (2026-2027) - Hopedale; Refurbish Water Treatment Systems (2026-2027) - Holyrood; and, Upgrade Spherical Valve Controls (2026-2029) - Bay d'Espoir.

²⁸ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Appendix B, page B-4.

for prior years which do not require Board approval.²⁹ There are also 17 new renewal projects/programs with expenditures under \$750,000 which do not require Board approval. Total expenditures for the new renewal projects/programs under \$750,000 are \$5,428,000 in 2026 and \$1,623,700 in 2027.³⁰

The Perform Major Inspection - Synchronous Condenser 2 (2025-2026) - Wabush program commenced in 2025 with a total budget estimate of \$595,600 (\$22,800 in 2025 and \$572,800 in 2026). As a result of an unexpected failure, the scope of work for the program was revised and the budget estimate increased to \$1,271,800. Hydro stated that there are no viable alternatives for the project.³¹

The Intervenor did not oppose the proposed renewal expenditures. The Board is satisfied that Hydro has sufficiently justified its renewal expenditures for its 2026 Capital Budget, including the increased budget estimate for Perform Major Inspection - Synchronous Condenser 2 (2025-2026) - Wabush. The Board finds that the proposed renewal expenditures are reasonable and necessary to ensure the delivery of power to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service. The Board also accepts the updated renewal expenditures associated with projects previously approved by the Board.

While the Board accepts the proposed renewal capital expenditures, the Board has identified concerns with aging assets and the pace of replacement under two renewal programs that will require further action by Hydro: Wood Pole Line Management (2026), and Replace Disconnects (2026-2028).

Under the Wood Pole Line Management program, Hydro advised that it historically used a 40-year anticipated useful life for its wood pole transmission lines, but found that the expected useful life could be extended by more than 15 years through early inspection and refurbishment.³² Hydro indicated that a significant number of its wood pole assets are currently 55 years of age or older, but only proposed to replace a small proportion of these poles.³³ The Board has concerns with the number of poles reaching advanced age and requires that Hydro provide a plan and timeline for the replacement of its remaining poles that are greater than 55 years of age in its next Capital Budget Application.

Under the Replace Disconnects program, Hydro advised that at the current pace of the program, the oldest of its disconnects will be 68 years of age at the time of replacement, which is beyond the anticipated 60 year service life.³⁴ Hydro noted that it plans to update its terminal station asset management strategy to state that disconnects at age 60 are eligible for replacement, but are

²⁹ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Appendix B, page B-4.

³⁰ Application, Volume II, Programs and Projects Under \$750,000, pages 7 of 15 to 13 of 15.

³¹ Application, Volume I, Schedule 5, 2025 Capital Expenditures Overview, page 30.

³² Wood Pole Line Management (2026), page 3

³³ PUB-NLH-055.

³⁴ PUB-NLH-031.

not necessarily planned for replacement at age 60.³⁵ The Board has concerns with Hydro changing its strategy for replacing disconnects without providing further evidence regarding the appropriate replacement age. The Board requires that Hydro include a review of the Replace Disconnect program in its next Capital Budget Application to ensure that the pace and age of replacement of the assets is appropriate.

4.1.5. Service Enhancement

Service enhancement investments are those that modify Hydro's system to meet operational requirements in a more efficient and/or effective manner. Such projects/programs include those associated with safety, environmental protection, automation, and poorly performing feeders. Hydro's 2026 service enhancement expenditures of \$7,868,000 account for approximately 6% of Hydro's proposed 2026 Capital Budget.

There are four service enhancement projects/programs with expenditures over \$750,000 requiring Board approval. The total proposed expenditures for these projects/programs are \$2,353,200 in 2026, \$7,836,800 in 2027 and \$2,126,500 in 2028. These expenditures relate to distribution feeders, relocation of a transmission line, widening a right of way and the installation of intelligent electronic device management software.

- Expenditures of \$756,300 in 2026 and \$3,534,900 in 2027 are proposed to upgrade Hydro's worst performing distribution feeders.³⁶ This work is to refurbish a distribution feeder and replace assets along LAL-L1 (L'Anse au Loup) based on reliability performance analyses and recent condition assessments.
- Expenditures of \$79,700 in 2026, \$2,970,700 in 2027 and \$1,041,000 in 2028 are proposed to reroute the southern section of Transmission Line 220 near Bay D'Espoir to run alongside Route 360 in order to improve access and safety, reduce maintenance costs, and shorten response times in the event of outages.³⁷
- Expenditures of \$1,220,000 in 2026, \$655,800 in 2027 and \$787,900 in 2028 are proposed to widen a right of way for Hydro's transmission lines located at the southern boundary of Gros Morne National Park.³⁸
- Expenditures of \$297,200 in 2026, \$675,400 in 2027 and \$297,600 in 2028 are proposed to install an enterprise-level intelligent electronic devices management system at Hydro Place that will connect to microprocessor-controlled devices at Hydro's operational sites.³⁹ This work will enable remote access and allow for the implementation of current and emerging cybersecurity best practices and standards.

There are also 6 service enhancement projects/programs with expenditures under \$750,000 which do not require Board approval. Total expenditures for these programs are \$1,318,400 in

³⁵ PUB-NLH-062.

³⁶ Upgrade Worst-Performing Distribution Feeders (2026-2027).

³⁷ Relocate Section of Line (2026–2028) - TL220.

³⁸ Widen Right of Way (2026–2028) - Gros Morne National Park.

³⁹ Install Intelligent Electronic Devices Management Software (2026–2028).

2026 and \$1,107,000 in 2027.⁴⁰ Additionally, Hydro's 2026 service enhancement expenditures include 3 projects/programs previously approved by the Board with expenditures over \$750,000 in the amount of \$4,196,400 in 2026 and \$2,529,800 in 2027.⁴¹

The Consumer Advocate objected to the service enhancement project proposed by Hydro to widen a right of way near Gros Morne National Park. The Consumer Advocate submitted that Hydro's criterion, that the three transmission lines are the worst-performing ones with respect to tree contacts, is narrow and that many factors can affect transmission line performance. The Consumer Advocate submitted that the appropriate metric should be how performance ranks relative to other transmission lines.⁴² The Consumer Advocate stated that no evidence has been provided by Hydro of increased risk of tree contacts with transmission lines relative to the past 55 years. The Consumer Advocate further submitted that injuries and forest fires are always potential risks and the issue is whether the risks are high or increasing in frequency. The Consumer Advocate acknowledged that climate change may increase the likelihood of forest fires, but submitted that the key question is whether climate change will cause more trees to fall on or make contact with the transmission lines in Gros Morne National Park. The Consumer Advocate also argued that Parks Canada is ultimately responsible for Gros Morne National Park and that the original narrow right of way was at the request of Parks Canada, but Hydro's current proposal to widen it was not.⁴³

Hydro stated that the justification for the project is premised on reliability and public safety. Hydro stated its evidence indicates that the transmission lines along the right of way are the worst performing lines for tree contacts. While it was acknowledged that there have not been any injuries or forest fires to date, Hydro stated that there has been evidence of scorching on trees associated with the tree contacts. Hydro submitted that the project is prudent and necessary because it reduces the risk of outages, provides safety for travellers on the right of way and reduces the risk of forest fires and that delaying the widening of the right of way would heighten these risks and compromise service reliability to customers.⁴⁴

The Board accepts the widening the right of way is required for increased reliability and public safety. Hydro stated that the right of way through Gros Morne National Park are narrower than other right of ways by 40-50%.⁴⁵ Parks Canada has agreed to extending the original narrow right of way and a federal detailed impact assessment has been completed. The Board accepts that widening the right of way to reduce tree contacts can reduce forced outages and increase public safety. Hydro stated that right of way cutting is capitalized for the initial clearing and that vegetation management is considered an operating expense.⁴⁶ Hydro provided no evidence to demonstrate why this project should be treated differently than any other vegetation

⁴⁰ Application, Volume II, Programs and Projects Under \$750,000, page 14 of 15 to page 15 of 15.

⁴¹ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Appendix B, page B-4.

⁴² Consumer Advocate Submission, page 9.

⁴³ Consumer Advocate Submission, page 9.

⁴⁴ Hydro Submission, pages 3-4.

⁴⁵ Application, Volume 2, Project 8, pages 1-2.

⁴⁶ PUB-NLH-045.

management work. The Board believes that widening the Gros Morne right of way should be part of Hydro's vegetation management strategy and is not a capital expenditure. The Board will not approve the expenditure as part of Hydro's 2026 Capital Budget.

The Board notes that Hydro advised of certain vegetation management practices followed within and outside Gros Morne National Park but did not provide a detailed vegetation management policy.⁴⁷ The Board believes that it would be best practice for Hydro to have a policy and directs Hydro to file a comprehensive vegetation management policy, including a jurisdictional review, with the Board by June 30, 2028.

The Board is satisfied that Hydro has sufficiently justified its service enhancement expenditures for its 2026 Capital Budget, but will not approve the capitalization of the expenditures for widening the Gros Morne right of way. The Board finds that the remaining proposed service enhancement expenditures are reasonable and necessary to ensure the delivery of power to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

4.1.6. System Growth

System Growth investments are those that modify Hydro's system to meet forecast changes in customer electricity needs. There are no new system growth projects/programs proposed by Hydro in the 2026 Capital Budget, however, Hydro proposed an increased budget for a previously approved project at the Jean Lake Terminal Station stating that the previous budget estimate was insufficient to complete the planned scope of work.

The Additions for Load Growth - Upgrade Transformer Capacity (2023-2024) - Jean Lake Terminal Station project commenced in 2023 and was originally scheduled to finish by 2024. As part of Hydro's 2024 and 2025 Capital Budget Applications, the project was extended into 2025 and then into 2026. This project is now further extended, with some early construction work planned for 2026 and construction to occur in 2027 and 2028. Hydro noted that construction activity cannot commence until the completion of a related project⁴⁸ which is carrying over into 2026 due to delays in civil design and the delivery of steel materials.⁴⁹

With respect to the proposed increase in budget, Hydro noted that the previous estimates for the civil and electrical construction and transformer installation contracts are lower than current market rates for work in Labrador, based on experience with similar contracts at the Wabush Terminal Station in 2024 and 2025. The original cost estimate of \$6,016,100 has now increased to \$10,999,700.⁵⁰ Hydro stated that there are no viable alternatives for the project.⁵¹

⁴⁷ PUB-NLH-043.

⁴⁸ Additions for Load Growth - Wabush Substation Upgrades.

⁴⁹ Application, Volume I, Schedule 5, 2025 Capital Expenditures Overview, page 24.

⁵⁰ The cost estimate provided in the 2025 Capital Budget Application was \$7,829,300.

⁵¹ Application, Volume I, Schedule 5, 2025 Capital Expenditures Overview, page 24.

The Board is satisfied based on the evidence that current market rates for contract work in Labrador have increased and accepts the reasons for the project delays. The Board notes that the Intervenor did not oppose the system growth expenditures and did not provide any specific comments on these expenditures. The Board finds that although this is the second material increase in cost, the project is critical to ensure the safe, adequate, and reliable provision of electrical service to the Town of Wabush. The Board approves the revised system growth expenditures associated with this project.

4.1.7. Allowance for Unforeseen Items

The Application proposes a \$1,000,000 Allowance for Unforeseen Items in 2026. This allowance is an annual allotment that enables Hydro to act expeditiously to address unexpected events that may adversely affect the electrical system. The proposed amount is consistent with previous years and accounts for approximately 0.8% of Hydro's 2026 Capital Budget.

The Board is satisfied that the Allowance for Unforeseen Items remains reasonable and permits Hydro to proceed with unbudgeted capital events so that it can address unexpected events affecting the provision of reliable service to customers. The Board finds that the Allowance for Unforeseen Items is in accordance with the Guidelines and should be approved.

4.2. Excess Expenditures on Projects Under \$750,000

Hydro filed its 2025 Capital Expenditure Overview which provides details of its capital expenditures for the previous year and explanations for any variances where the actual cost is both 10% and \$100,000 greater than the forecast budget. For 2025, Hydro reported 10 projects and programs that were originally budgeted under \$750,000, but exceeded this threshold when work was executed.⁵² Hydro noted that the Board has the ability to ask questions and examine the prudence of these expenditures before authorizing recovery, but Hydro would not make a formal application for approval of these projects and programs in the circumstances.⁵³

The Board notes that the threshold for capital expenditures requiring Board approval was increased from \$50,000 to \$750,000 in May, 2023 as a result of amendments to the **Act**.⁵⁴ Since that time, no process has been established to determine how utilities should treat individual projects or programs that are budgeted under \$750,000 but exceed this threshold during the course of work. Based on the evidence filed, the Board has concerns regarding the number of projects that are surpassing the \$750,000 threshold once work commences, as well as the magnitude of some of the increases reported.⁵⁵ The Board further notes that proceeding with

⁵² Five projects were identified in the 2025 Capital Expenditure Overview filed with the Capital Budget Application and five additional projects were identified in response to PUB-NLH-010.

⁵³ PUB-NLH-053.

⁵⁴ Section 3 of **Public Utilities Regulations** under the **Act**.

⁵⁵ For example, PUB-NLH-010 indicates that the 2025 Gas Turbine In-Service Failures increased from \$500,000 to \$1,731,800 and the Water System Condition Assessment and Upgrades (2023-2024) - Bay d'Espoir increased from \$665,900 to \$1,438,400.

capital projects with total expenditures over \$750,000 without Board approval is not in keeping with the legislated provisions. The Board does not take issue, at this time, with the projects disclosed to date which have surpassed \$750,000 but will develop a process for utilities to formally seek Board approval of the actual expenditures in excess of the \$750,000 threshold when filing future capital budget applications. The Board will issue further direction on this matter at a future date.

4.3. Confidentiality

In Schedule 8, Appendix A, Hydro redacted information relating to Major Project expenditures and stated that the information was commercially sensitive. The Board requested that Hydro provide information to support the basis for the information being treated as confidential, why public disclosure would be detrimental and information on the practices of other regulated utilities. Hydro noted that the release of information related to detailed project estimates or spending, particularly when combined with information on the planned project schedule and timeline, could cause significant harm or prejudice to Hydro's competitive or negotiating position, which could lead to increased costs to Hydro and ultimately customers.⁵⁶ Hydro confirmed that regulated utilities in other jurisdictions have requested, and regulators have approved, that capital expenditures amounts be treated as confidential.⁵⁷

The Board has previously stated that the general policy in relation to information filed with the Board is that it should be available for the parties and the public to review to ensure that proceedings are open, transparent and accessible.⁵⁸ The Board has also acknowledged that some information may be of a confidential nature. As noted by Hydro, the information that it has requested be treated as confidential does not pertain to the capital expenditures being proposed in the Application. The Board did not make reference to or make any findings in relation to the redacted information and will defer its determination on whether the information should be treated as confidential to the application for Capital Expenditures for the Purchase and Installation of Bay d'Espoir Unit 8 and Avalon Combustion Turbine.

4.4. Proposed 2026 Capital Budget

Hydro's proposed 2026 Capital Budget is \$131,563,100⁵⁹ with expenditures of \$79,513,500 requiring Board approval, \$17,094,700 not requiring Board approval, and \$34,954,900 for projects and programs previously approved by the Board. Hydro stated the budget amount requested for 2026 is driven primarily by the need for increased investment in asset renewal and increasing costs associated with a period of sustained high inflation.⁶⁰

⁵⁶ Hydro's Correspondence, Reply to Confidential Information (redacted), August 18, 2025, page 2.

⁵⁷ Examples were provided from the Nova Scotia Utility and Review Board, New Brunswick Energy Utilities Board, Ontario Energy Board, and British Columbia Utilities Board.

⁵⁸ Board's Correspondence, Confidential Information, July 28, 2025.

⁵⁹ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Appendix B, page B-1.

⁶⁰ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, page i.

The Board notes that as part of its assessment of alternatives, and as required by the Guidelines, Hydro evaluated whether each project or program in the Application could be deferred. This evaluation resulted in the deferral of capital expenditures totalling approximately \$16,178,900.⁶¹ Additionally, upon further assessment of planned capital expenditures, Hydro cancelled several capital projects/programs totalling approximately \$2,325,200.⁶²

The Board approves Hydro's 2026 Capital Budget in the amount of \$130,343,100⁶³ on the basis that the evidence filed demonstrates that the proposed expenditures are justified and necessary. The Board notes that Newfoundland Power did not oppose the approval of Hydro's 2026 Capital Budget and that the Consumer Advocate objected to one project which the Board determined will not be approved. The Board has found that the remaining proposed 2026 expenditures in excess of \$750,000 for the construction, purchase, or lease of improvements or additions to Hydro's property are reasonable and consistent with Hydro's obligation to ensure the delivery of power to its customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

The Board accepts the expenditures associated with projects/programs previously approved by the Board, as the Application confirms that there have either been no material changes in the scope, nature or magnitude of these projects/programs or where there have been changes, those changes are justified. While expenditures under \$750,000 do not require Board approval, they are included in Hydro's proposed 2026 Capital Budget which requires the approval of the Board pursuant to subsection 41(1) of the **Act**. The Board has reviewed the information provided in relation to these expenditures and accepts that they should be included in Hydro's 2026 Capital Budget.

4.5. Contributions in Aid of Construction

The Application requests approval to reflect customer contributions for the nine projects/programs in the 2026 Capital Budget that are related to transmission assets that serve only one Hydro customer.⁶⁴ Hydro stated it has provided each respective customer with the cost estimates associated with each project and each customer has acknowledged its responsibility for its specific costs.⁶⁵

The Board accepts Hydro's practice to charge the costs of construction and ongoing maintenance of specifically assigned transmission assets that serve only one customer to that customer. The Board notes that the Intervenor did not oppose the proposed contributions in aid of construction or make any specific comments on these contributions. The Board finds that Hydro's

⁶¹ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Table 6, page 24.

⁶² Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Table 7, page 25.

⁶³ The proposed budget amount of \$131,563,100 less the proposed amount of \$1,220,000 related to Widen Right of Way (2026–2028) - Gros Morne National Park.

⁶⁴ Application, Volume I, Schedule 1, 2026 Capital Budget Overview, Table 10, page 38.

⁶⁵ Application, Volume I, page 5.

budgeted contributions in aid of construction are reasonable and meet the requirements of section 41 of the **Act**.

4.6. Average Rate Base

The Application requests that the Board fix and determine Hydro's 2024 average rate base in the amount of \$2,379,043,000.

**Computation of Average Rate Base
for the Year Ended December 31, 2024
(\$000s)⁶⁶**

	<u>2024</u>
Total Capital Assets	\$2,340,537
Deduct Items Excluded from Rate Base	
Work in Progress	(62,088)
Asset Retirement Obligations (Net of Amortization)	(10,385)
Net Capital Assets	<u>2,268,064</u>
Net Capital Assets, Previous Year	2,196,889
Unadjusted Average Capital Assets	2,232,477
Deduct	
Average Net Capital Assets Excluded from Rate Base	(7,713)
Average Capital Assets	<u>2,224,764</u>
Working Capital Allowance	1,416
Fuel Inventory	53,950
Supplies Inventory	43,698
Average Deferred Charges for Rate Base	<u>55,215</u>
Average Rate Base at Year-End	<u><u>\$2,379,043</u></u>

Doane Grant Thornton LLP reviewed Hydro's proposed average rate base for 2024 and concluded that the proposed 2024 average rate base accords with established practice and relevant Board Orders.⁶⁷ The Intervenor did not object or provide any comments on the calculation of Hydro's 2024 rate base.

The Board fixes and determines Hydro's average rate base for 2024 in the amount of \$2,379,043,000.

4.7. Other Issues

The Board notes that in addition to objecting to one of Hydro's proposed projects, the Consumer Advocate commented on six other issues. These issues pertain to finalizing the Guidelines,

⁶⁶ Application, Volume I, Schedule 6, 2024 Average Rate Base, Table 1, page 1.

⁶⁷ Doane Grant Thornton Report, September 25, 2025, page 3.

Hydro's project execution, estimating processes, metering, Newfoundland and Labrador's power sector relative to other provinces, and customer willingness to pay for reliability improvements.

4.7.1. Provisional Capital Budget Guidelines

The Consumer Advocate recommended that the Board finalize the Capital Budget Applications Guidelines. The Board notes that the current Guidelines were established provisionally in January 2022 and are the subject of an ongoing separate Board process which involves other parties not participating in this Application. On May 23, 2025 the Board provided an update on the Capital Budget Application Guidelines Review, stating that it would advise of next steps upon completion of Hydro's asset management assessment. The Guidelines are not an issue in this proceeding and will continue to be addressed in a separate process with the participation of all interested parties.

4.7.2. Project Execution

The Consumer Advocate submitted that capital spending carryovers are concerning when there is significant uncertainty related to the province's electricity supply and suggested that Hydro must continue to improve project execution to ensure assets are maintained and performance is reliable going forward. The Consumer Advocate urged the Board to encourage Hydro to address project execution issues to ensure that customers are not confronted with widespread power outages.⁶⁸

Hydro submitted that with a large and complex capital program, some degree of carryover is to be expected considering factors such as timing changes, external disruptions (like supply chain issues), and scheduling changes and noted that the Board has acknowledged that carryovers are an inevitable part of any capital program⁶⁹.

The Board notes that the Consumer Advocate raised this issue in its submission in Hydro's 2025 Capital Budget Application. The Board has again reviewed the nine-year carryover average, and while the carryover amount of approximately \$29.7 million for 2024 is slightly higher than the previous nine-year carryover average, it is lower than carryover amounts for 2016, 2017, 2021 and 2022.⁷⁰ The Board finds that it is not necessary to provide direction to Hydro with respect to its project execution at this time. The Board will continue to review Hydro's carryovers to determine whether Hydro should be directed to take any specific action in the future.

⁶⁸ Consumer Advocate Submission, page 4.

⁶⁹ Hydro Submission, pages 5-6.

⁷⁰ Application, Schedule 5, Appendix B, Capital Expenditures and Carryover Report for the Year Ended December 31, 2024, page B-9.

4.7.3. Estimating Processes

The Consumer Advocate expressed concerns about Hydro's estimating processes, stating that there has been a significant cost overrun for the section replacement and weld refurbishment for Bay d'Espoir.⁷¹

Hydro noted that it incorporates its most recent cost experiences from ongoing projects into budget estimates, but there is typically a one-year delay in reflecting recent market pricing changes in its capital budgeting. In order to secure optimal pricing and minimize market impact, Hydro advised that it strategically bundles procurement items and seeks pricing early. Due to the lag and market volatility, contract prices may often differ from initial estimates. In such cases, Hydro noted that it conducts alternative analyses and project justifications to confirm that the selected option is still the most cost-effective before proceeding. Lessons learned from previous budget applications inform the development of future capital applications.⁷²

The Board notes that the Consumer Advocate raised this issue in its submission in Hydro's 2025 Capital Budget Application. The Board continues to share the Consumer Advocate's concerns with respect to cost overruns and notes that cost escalation and volatility is a challenge for utilities to reflect in cost estimates. The Board finds that it is not necessary to provide specific direction to Hydro regarding its estimating processes at this time⁷³ but expects that Hydro will incorporate any lessons learned from previous capital budget applications and how they may be applied in future applications. The Board will continue to monitor the accuracy of Hydro's cost estimates.

4.7.4. Metering

The Consumer Advocate stated that Hydro plans to invest approximately \$18 million from 2022 to 2027 in Automatic Meter Reading (AMR) technology instead of more advanced Automatic Metering Infrastructure (AMI or smart meters). The Consumer Advocate submitted that the Board should direct Hydro's funding for AMR technology toward AMI technology.

Hydro submitted that it is proposing to continue its project of replacing manually-read meters with drive-by automatic meter reading systems as initially proposed in the cost-benefit analysis presented in the 2022 Capital Budget Application proposal and approved by the Board. Hydro advised that smart metering was considered in the preliminary analyses, but its updated cost-benefit study confirms that AMR remains the least-cost alternative for replacing the metering system in alignment with the **EPCA**. While Hydro acknowledged the benefits associated with AMI, it noted that the costs of implementing such technologies must be carefully weighed against their benefits.

⁷¹ Consumer Advocate Submission, page 4.

⁷² Hydro Submission, page 6.

⁷³ The Board will provide direction to the utilities on projects under \$750,000 that ultimately exceed \$750,000 in expenditures. See section 4.2.

The Board notes that the Consumer Advocate raised this issue in its submission in Hydro's 2025 Capital Budget Application. The Board agrees that smart metering through AMI implementation could provide additional benefits to customers beyond what is currently being provided by AMR; however, the evidence does not support a change at this time. The Board accepts that the AMR system continues to be Hydro's least-cost alternative for metering customer usage. The Board will not direct Hydro to redirect funding toward AMI at this time.

4.7.5. Power Sector Relative to Other Provinces

The Consumer Advocate submitted that the power sector in Newfoundland and Labrador is lagging behind other regions, particularly in smart grid technology. The Consumer Advocate stated that Hydro and Newfoundland Power operate as both distribution operators and suppliers, which limits their ability to promote innovations like smart meters essential for smart grid development. As a result, according to the Consumer Advocate, customer interests are not being served as follows:

- The utilities have done very little to promote customer-owned generation, with Newfoundland and Labrador achieving significantly fewer net metering projects compared to Nova Scotia and New Brunswick.
- Newfoundland and Labrador is behind other Canadian provinces in retail rate design, with no new rates offered despite promises for reviews from the utilities.
- The utilities appear uncoordinated in developing a power system expansion plan, raising concerns about their ability to meet customer energy needs in the coming years.
- It is unclear when, if ever, customers will reap benefits of Hydro's asset management review.

Hydro submitted that the asset management review matter was discussed in its rebuttal regarding the finalization of the Guidelines in this proceeding. In Hydro's opinion, the remaining issues set out by the Consumer Advocate would be more appropriately dealt with in other regulatory proceedings.⁷⁴

The Board notes that the Consumer Advocate raised this issue in its submission in Hydro's 2025 Capital Budget Application. The Board notes that many of the issues raised by the Consumer Advocate such as rate design and asset management are being considered as part of other ongoing review processes. The Board finds that it is not necessary to direct Hydro on these issues outside of the established processes.

4.7.6. Customer Willingness to Pay for Reliability Improvements

The Consumer Advocate raised concerns with respect to the results of a digital customer engagement process conducted by Hydro, where customers expressed their views on the reliability of and costs associated with the electrical grid. The Consumer Advocate highlighted

⁷⁴ Hydro Submission, page 8.

1 certain key findings of the engagement process, particularly related to customers' view of system
2 reliability and their willingness to pay for more reliability improvements. The Consumer Advocate
3 argued that customers cannot negotiate the issue of reliability without proper cost inputs and
4 Hydro has not provided any evidence that customers are actually aware of the significant cost of
5 ensuring customers will not have more than 2.5 outages annually.⁷⁵

6
7 Hydro submitted that the interpretation of the digital customer engagement survey as it relates
8 to future investment in generation or transmission assets would be more appropriate in the 2025
9 Build Application or the Reliability and Resource Adequacy Study Review proceedings. However,
10 Hydro suggested that it was clear that customers are not willing to compromise on reliability, but
11 do not wish to be exposed to significant cost impacts. Hydro advised that it remains cognizant of
12 these key factors, which the Consumer Advocate states are of vital importance, when planning
13 and proposing projects and programs necessary for the ongoing safe, reliable operation of
14 Hydro's assets.⁷⁶

15
16 The Board is bound by its governing legislation when assessing a utility's proposed capital budget.
17 The **EPCA** requires utilities to manage and operate facilities in a manner that would result in
18 consumers having equitable access to an adequate supply of power at the lowest possible cost,
19 in an environmentally responsible manner, consistent with reliable service. While the Board
20 understands the Consumer Advocate's position and acknowledges customers' willingness to pay
21 for reliability improvements as an ongoing concern, utilities must manage their facilities in a
22 manner that provides reliable service. The balance of cost and reliability is fundamental to the
23 provision of least cost service and is an issue considered by the Board in every application. The
24 Board will continue to test Hydro's proposed costs and expenditures while monitoring reliability
25 criteria.

⁷⁵ Consumer Advocate Submission, page 8.

⁷⁶ Hydro Submission, pages 8-9.

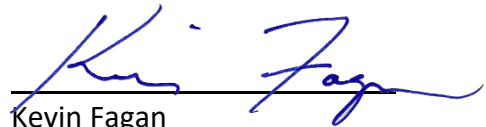
1 **5. BOARD ORDER**

2
3 **IT IS THEREFORE ORDERED:**

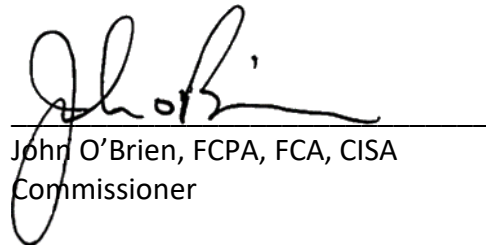
- 4
- 5 1. Hydro's proposed single year construction and purchase of improvements or additions to
6 its property in excess of \$750,000 to be completed in 2026, as set out in Schedule A to this
7 Order, are approved.
- 8
- 9 2. Hydro's 2026 proposed expenditures for multi-year construction and purchase of
10 improvements or additions to its property in excess of \$750,000, as set out in Schedule B
11 and Schedule C to this Order, are approved.
- 12
- 13 3. Hydro's proposed 2026 Capital Budget for improvements or additions to its property in
14 the amount of \$130,343,100, as set out in Schedule C to this Order, is approved.
- 15
- 16 4. Hydro's proposed average rate base for the year ended December 31, 2024 is hereby fixed
17 and determined at \$2,379,043,000.
- 18
- 19 5. Unless otherwise directed by the Board, Hydro shall file with its 2027 Capital Budget
20 Application a report in relation to the Holyrood Thermal Generating Station addressing
21 the continued operation of the facility until the later of March 31, 2030 or the anticipated
22 conclusion of generation operations.
- 23
- 24 6. Unless otherwise directed by the Board, Hydro shall file with its 2027 Capital Budget
25 Application a report in relation to the Bay d'Espoir Hydroelectric Generating Facility
26 addressing its capital plan for this facility over the 2027-2035 period.
- 27
- 28 7. Unless otherwise directed by the Board, Hydro shall file with its 2027 Capital Budget
29 Application:
- 30 a) a report on its review of the methodology for estimating capital expenditures for
31 Facilities Refurbishment;
- 32 b) a plan and timeline for the replacement of the remaining poles greater than 55 years
33 of age; and
- 34 c) a review of the Replace Disconnect program to ensure that the pace and age of
35 replacement of the assets is appropriate.
- 36
- 37 8. Unless otherwise directed by the Board, Hydro shall file a comprehensive vegetation
38 management policy with the Board by June 30, 2028.
- 39
- 40 9. Unless otherwise directed by the Board, Hydro shall file a report on its 2026 capital
41 expenditures by April 1, 2027.

- 1 10. Unless otherwise directed by the Board Hydro shall provide, in conjunction with its 2027
 2 Capital Budget Application, a status report on the 2026 capital expenditures showing for
 3 each project:
 4 a) the approved budget for 2026;
 5 b) the expenditures prior to 2026;
 6 c) the 2026 expenditures to the date of application;
 7 d) the remaining projected expenditures for 2026;
 8 e) the variance between the projected total expenditures and the approved budget;
 9 and
 10 f) an explanation of the variance.
 11
 12 11. Hydro shall pay all costs and expenses of the Board incurred in connection with the
 13 Application.

DATED at St. John's, Newfoundland and Labrador this 30th day of January 2026.



Kevin Fagan
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Colleen Jones
Assistant Board Secretary

Newfoundland and Labrador Hydro
2026 Capital Budget
Single-Year Projects Over \$750,000
(\$000)

2026

Access

Provide Service Extensions (2026)	5,401.9
Total Access	\$ 5,401.9

Allowance for Unforeseen

Allowance for Unforeseen Items (2026)	1,000.0
Total Allowance for Unforeseen	\$ 1,000.0

Renewal

Perform Boiler Condition Assessment and Miscellaneous Upgrades (2026) - Holyrood	9,600.0
Overhaul Turbine Valves and Generator - Unit 2 (2026) - Holyrood	6,969.6
Wood Pole Line Management (2026)	6,313.7
Distribution System In-Service Failures, Miscellaneous Upgrades and Street Lights (2026)	6,114.9
Thermal In-Service Failures (2026)	3,823.7
Terminal Station In-Service Failures (2026)	3,291.8
Hydraulic In-Service Failures (2026)	2,660.3
Overhaul Major Pumps (2026) - Holyrood	2,388.6
Overhaul Diesel Units (2026)	2,353.7
Overhaul Hydraulic Units (2026)	2,023.6
Replace Fuel Storage Tank (2026) - McCallum	1,008.4
Diesel In-Service Failures (2026)	817.0
Total Renewal	\$ 47,365.3

General Plant

Perform Facilities Refurbishments (2026)	3,027.9
Purchase Tools and Equipment (2026)	1,849.4
Replace Light-Duty Mobile Equipment (2026)	1,212.9
Purchase Personal Computers (2026)	1,115.7
Upgrade Core OT Infrastructure (2026)	799.6
Total General Plant	\$ 8,005.5

Total Expenditures Single-Year Projects over \$750,000	\$ 61,772.7
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Newfoundland and Labrador Hydro
2026 Capital Budget
Multi-Year Projects Over \$750,000
(\$000)

Classification	Project Description	2026	2027	2028	2029	Total
Mandatory	Upgrade PLX Metering System (2026–2028) - Labrador East	1,188.8	485.8	494.3		2,168.9
Access	Upgrade Distribution System (2026–2027) - Wiltondale	408.7	952.7			1,361.4
Renewal	L23/24 Steel-Tower Transmission Line Renewal (2026–2029)	576.2	2,735.3	2,539.1	2,726.8	8,577.4
	Renew Circuit Breakers (2026–2028)	188.2	2,250.1	1,975.6		4,413.9
	Renew Distribution Feeders (2026–2027)	1,015.3	3,053.0			4,068.3
	Replace Protective Relays (2026–2027)	616.0	1,969.8			2,585.8
	Replace Disconnects (2026–2028)	169.1	1,694.0	631.6		2,494.7
	Upgrade Power Transformers (2026–2027)	1,705.0	401.8			2,106.8
	Replace Roof (2026–2027) - Hopedale	190.6	1,791.0			1,981.6
	Refurbish Water Treatment Systems (2026–2027) - Holyrood	524.5	936.3			1,460.8
	Upgrade Spherical Valve Controls (2026–2029) - Bay d'Espoir	314.9	219.6	358.3	460.3	1,353.1
Service Enhancement	Upgrade Worst-Performing Distribution Feeders (2026–2027)	756.3	3,534.9			4,291.2
	Relocate Section of Line (2026–2028) - TL220	79.7	2,970.7	1,041.0		4,091.4
	Install Intelligent Electronic Devices Management Software (2026–2028)	297.2	675.4	297.6		1,270.2
General Plant	Replace Heavy-Duty Vehicles (2026–2028)	1,524.1	788.5	2,204.4		4,517.0
	Replace Heavy-Duty Mobile Equipment (2026–2028)	173.8	1,809.7	2,112.2		4,095.7
	Replace Light-Duty Vehicles (2026–2027)	2,547.5	548.6			3,096.1
	Perform Software Upgrades and Minor Enhancements - Information Technology (2026–2027)	649.9	1,097.2			1,747.1
	Replace Teleprotection Equipment (2026–2028)	964.4	310.6	224.8		1,499.8
	Upgrade Core IT Infrastructure (2026–2027)	871.6	522.9			1,394.5
	Replace Radio Link to Hydraulic Control Structure (2026–2027) - Ebbegunbaeg	470.5	756.8			1,227.3
	Replace Network Communications Equipment (2026–2027)	1,038.4	99.0			1,137.4
	Replace 48 V Battery Banks and Chargers (2026–2027)	250.1	524.4			774.5
Total Multi-Year Projects over \$750,000 commencing in 2026		\$ 16,520.8	\$ 30,128.1	\$ 11,878.9	\$ 3,187.1	\$ 61,714.9

**Newfoundland and Labrador Hydro
2026 Capital Budget
(\$000)**

Single-Year Projects/Programs Over \$750,000	61,772.7
Multi-Year Projects/Programs Over \$750,000 commencing in 2026	16,520.8
Single-Year Projects/Programs Under \$750,000 ¹	9,993.6
Multi-Year Projects/Programs Under \$750,000 commencing in 2026 ²	3,636.6
Multi-Year Projects/Programs Over \$750,000 previously approved by the Board commencing in 2025 ³	31,120.0
Multi-Year Projects/Programs Under \$750,000 commencing in 2025 ⁴	3,464.5
Multi-Year Projects/Programs previously approved by the Board prior to 2025 ⁵	3,834.9
Total 2026 Capital Budget	130,343.1

¹ See Schedule C: Appendix 1 for details.

² See Schedule C: Appendix 2 for details.

³ See Schedule C: Appendix 3 for details.

⁴ See Schedule C: Appendix 4 for details.

⁵ See Schedule C: Appendix 5 for details.

Newfoundland and Labrador Hydro
2026 Capital Budget
Single-Year Projects Under \$750,000
(\$000)

2026

Mandatory

Purchase Meters and Metering Equipment (2026)	705.6
Total Mandatory	\$ 705.6

Renewal

Replace Fuel Storage Tanks (2026) - Happy Valley	696.4
Perform Level 2 Condition Assessment - North Salmon Spillway (2026) - Upper Salmon	636.5
Inspect Fuel Storage Tanks (2026) - Rigolet	504.8
Gas Turbine In-Service Failures (2026)	500.1
Perform Dam Infrastructure Refurbishments (2026)	500.0
Perform Level 2 Condition Assessment - Penstock 4 (2026) - Bay d'Espoir	237.2
Perform Level 2 Condition Assessment - Penstock (2026) - Hinds Lake	209.6
Transmission In-Service Failures (2026)	183.4
Total Renewal	\$ 3,468.0

Service Enhancement

Remove Safety Hazards (2026)	240.6
Perform Minor Telecommunications Enhancements (2026)	175.5
Total System Enhancement	\$ 416.1

General Plant

Procure Accommodations (2026) - Makkovik	684.7
Migrate Legacy Applications (2026)	611.0
Rollout Document Control System (2026)	607.3
Install CCTV Systems (2026)	450.2
Modify Office Buildings and Procure Furniture, Fixtures, & Equipment (2026)	447.5
Update Cybersecurity Infrastructure (2026)	413.3
Backup Critical Control Systems (2026) - Holyrood	329.4
Replace UPS System - Back Up Control Center (2026) - Holyrood	322.8
Purchase Mobile Devices (2026)	315.9
Implement Safety Audits and Inspections System (2026)	304.7
Replace Peripheral Infrastructure (2026)	278.5
Perform Software Upgrades and Minor Enhancements - Operational Technology (2026)	262.8
Upgrade Remote Terminal Units (2026)	252.2
Telecommunications In-Service Failures (2026)	123.6
Total General Plant	\$ 5,403.9

Total Expenditures Single-Year Projects Under \$750,000	\$ 9,993.6
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Newfoundland and Labrador Hydro
2026 Capital Budget
Multi-Year Projects Under \$750,000
(\$000)

Classification	Project Description	2026	2027	Total
Renewal	Perform Major Inspection - Synchronous Condenser 1 (2026–2027) - Wabush Terminal Station	43.0	700.7	743.7
	Perform Level 2 Condition Assessment - Condenser and Condenser Tubes (2026–2027) - Holyrood	577.3	51.7	629.0
	Replace Instrument Transformers (2026–2027)	371.2	196.1	567.3
	Replace Terminal Station Battery Banks and Chargers (2026–2027)	326.1	236.7	562.8
	Replace Parts of Stage 1: 129 Vdc Batteries and Battery Chargers (2026–2027) - Holyrood	229.1	100.1	329.2
	Replace Air Dryer (2026–2027) - Hardwoods	75.2	198.0	273.2
	Replace Battery Bank (2026–2027) - Granite Canal	138.8	44.2	183.0
	Replace dc Fuel Pump (2026–2027) - Hardwoods	90.4	58.4	148.8
	Replace 125Vdc Battery Bank (2026–2027) - Hardwoods	108.9	37.8	146.7
Service Enhancement	Replace Expansion Joint and Rock Scaling (2026–2027) - Paradise River	516.9	230.4	747.3
	Upgrade Cooling (2026–2027) - Hardwoods	100.6	344.5	445.1
	Upgrade Excitation System (2026–2027) - Paradise River	218.7	203.5	422.2
	Upgrade Terminal Station for Mobile Substation (2026–2027) - St. Anthony Diesel	66.1	328.6	394.7
General Plant	Refurbish Meteorological Stations - Phase 2 (2026–2027)	528.1	167.4	695.5
	Replace Walkway to Toe of Dam (2026–2027) - Paradise River	16.8	566.1	582.9
	Replace GRID Application (2026–2027)	134.9	363.9	498.8
	Replace Back-up Generators at Microwave Repeater Sites (2026–2027)	94.5	391.3	485.8
Total Multi-Year Projects Under \$750,000 Commencing In 2026		\$ 3,636.6	\$ 4,219.4	\$ 7,856.0

Newfoundland and Labrador Hydro
2026 Capital Budget
Multi-Year Projects Over \$750,000 Previously Approved by the Board and Commencing in 2025
(\$000)

Approved	Classification	Project Description	2025 and Prior	2026	2027	Total
P.U. 28(2024)	Renewal	Rewind Stator (2025–2026) - Hinds Lake	5,233.2	9,695.5	-	14,928.7
		Replace Diesel Gensets (2025–2027)	418.2	1,719.0	4,086.4	6,223.6
		Refurbish Intake 2 (2025–2026) - Bay d'Espoir	284.4	3,069.4	-	3,353.8
		Replace Protective Relays (2025–2026)	668.6	2,282.6	-	2,951.2
		Renew Circuit Breakers (2025–2026)	129.7	2,531.3	-	2,661.0
		Refurbish Marine Terminal (2025–2026) - Holyrood	1,190.8	1,295.6	-	2,486.4
		Upgrade Power Transformers (2025–2026)	811.9	1,173.9	-	1,985.8
		Replace Emergency Diesel Genset (2025–2027) - Cat Arm	266.2	1,221.1	113.9	1,601.2
		Replace Disconnects (2025–2026)	145.3	1,245.5	-	1,390.8
	Perform Major Inspection - Synchronous Condenser 2 (2025–2026) - Wabush	22.8	1,249.0	-	1,271.8	
	Service Enhancement	Upgrade Worst-Performing Distribution Feeders (2025–2027)	2,678.9	3,677.4	2,529.8	8,886.1
		Install Mid Span Structures - TL220 (2025–2026)	881.3	229.3	-	1,110.6
	General Plant	Replace Light- and Heavy-Duty Vehicles (2025–2027)	2,714.6	1,675.8	3,147.2	7,537.6
		Replace Mobile Equipment (2025–2027)	1,973.6	54.6	2,619.4	4,647.6
Total Multi-Year Projects Over \$750,000 Commencing In 2025			\$ 17,419.5	\$ 31,120.0	\$ 12,496.7	\$ 61,036.2

Newfoundland and Labrador Hydro
2026 Capital Budget
Multi-Year Projects Under \$750,000 Commencing in 2025
(\$000)

Approved	Classification	Project Description	2025 and Prior	2026	2027	Total
P.U. 28(2024)	Mandatory	Purchase Meters and Metering Equipment (2025–2026)	446.2	278.4	-	724.6
	Renewal	Install Breaker Failure Protection (2025–2027) - Holyrood	177.8	320.9	166.5	665.2
		Replace Instrument Transformers (2025–2026)	112.5	356.4	-	468.9
		Replace Terminal Station Battery Banks and Chargers (2025–2026)	123.2	315.3	-	438.5
		Upgrade Data Alarm Systems (2025–2026) - Hardwoods	184.0	188.7	-	372.7
		Replace 250 Vdc Battery Bank (2025–2026) - Stephenville	73.0	296.9	-	369.9
		Replace Circuit Breaker Reclosing Controllers (2025–2026) - Cow Head and Massey Drive	104.6	164.3	-	268.9
	General Plant	Upgrade Work Protection Code Application (2025–2026)	452.0	256.6	-	708.6
		Install Electric Vehicle Chargers (2025–2026) - Hydro Sites	368.0	288.2	-	656.2
		Install Fire Protection - 230 kV Stations (2025–2026) - Come by Chance	51.7	534.5	-	586.2
		Replace GPS Clocks (2025–2026)	448.3	132.4	-	580.7
		Upgrade Energy Management System (2025–2026)	284.4	188.5	-	472.9
		Implement SCADA Points Application (2025–2026)	241.9	143.4	-	385.3
	Total Multi-Year Projects Under \$750,000 Commencing In 2025		\$ 3,067.6	\$ 3,464.5	\$ 166.5	\$ 6,698.6

Newfoundland and Labrador Hydro
2026 Capital Budget
Multi-Year Projects Previously Approved by the Board Prior to 2025
(\$000)

Approved	Classification	Project Description	2025 and Prior	2026	2027	2028	Total
P.U. 35(2023)	Renewal	Replace Diesel Gensets (2024–2025)	1,013.8	2,404.7	-	-	3,418.5
	Service Enhancement	Automate Bulk Metering (2024–2026)	517.0	289.7	-	-	806.7
	General Plant	Replace Light- and Heavy-Duty Vehicles (2024–2026)	5,627.9	1,133.4	-	-	6,761.3
		Purchase 50' Material Handler Aerial Device on Tracked Unit (2024–2026) - Happy Valley Goose Bay	865.8	7.1	-	-	872.9
		Total Multi-Year Projects commencing in 2024	\$ 8,024.5	\$ 3,834.9	\$ -	\$ -	\$ 11,859.4
P.U. 2(2023)	System Growth	Additions for Load Growth - Upgrade Transformer Capacity (2023–2024) - Jean Lake Terminal Station	7,039.6	-	1,335.1	2,625.0	10,999.7
		Total Multi-Year Projects commencing in 2023	\$ 7,039.6	\$ -	\$ 1,335.1	\$ 2,625.0	\$ 10,999.7
		Total Multi-Year Projects Previously Approved by the Board Prior to 2025	\$ 15,064.1	\$ 3,834.9	\$ 1,335.1	\$ 2,625.0	\$ 22,859.1