Q. Newfoundland Power's distribution projects are grouped into several individual projects, including Reconstruction (Pooled), Rebuild Distribution Lines, Relocate/Replace Distribution Lines for Third parties (Pooled) etc. Please explain how Newfoundland Power determined the appropriate breakdown of the distribution projects into these groupings/categories.

A. Newfoundland Power's *2022 Capital Budget Application* includes 15 capital projects in its distribution asset class. Many of these capital projects are programmatic in nature and are consistent from year to year. Consistency in the organization of capital projects assists with project execution and ensures capital expenditures are appropriately planned and tracked.

The breakdown of Newfoundland Power's distribution capital projects reflects the nature, scope and justification of the work to be completed.

For 2022, approximately 42% of distribution capital expenditures are driven by the requirement to serve new customers. Approximately 46% of distribution expenditures for 2022 are driven by the need to replace and refurbish deteriorated distribution infrastructure. The remaining 12% is driven by other requirements, such as 3rd party requests.

Five distribution projects are primarily driven by the requirement to replace and refurbish existing plant. These projects are primarily driven by plant condition, but also include the replacement of plant in order to provide an economic benefit to customers. The distribution projects driven by plant replacement are:

(i) *Reconstruction* – This project is part of Newfoundland Power's corrective maintenance program for its distribution system. It includes high-priority deficiencies and in-service failures that must be addressed during the year in which they are identified. The project budget is based on historical patterns for executing this work.

(ii) *Rebuild Distribution Lines* – This project is part of the Company's preventative maintenance program for its distribution system. It includes deficiencies identified during inspections that are addressed in a programmatic manner the following year. The project budget is based on historical patterns for executing this work.

(iii) *Trunk Feede*rs – This project is another component of Newfoundland Power's preventative maintenance program. It involves larger replacement and refurbishment projects that, due to the level of deterioration identified, are beyond the scope of the *Rebuild Distribution Lines* project. The project budget is based

on the specific need identified for a given year (i.e. the specific feeders to be addressed).[1]

(iv) *Distribution Reliability Initiative* – This project involves calculating reliability indices for each distribution feeder and undertaking engineering assessments to determine whether capital expenditures are required to improve reliability for customers on the worst performing feeders. The project budget is based on the specific need identified for a given year (i.e. the specific feeders to be addressed).

(v) *LED Street Lighting Replacement* – This project involves the replacement of existing High Pressure Sodium street lights with more efficient LED fixtures. This project will reduce street lighting costs to customers. The project budget is based on the specific need identified for a given year (i.e. the quantity of street lights to be replaced).

Four other distribution projects include an element of replacement or refurbishment, along with connecting new customers to the distribution system. These are the *Meters, Services, Street Lighting* and *Transformers* projects. The budgets for these projects are based on a combination of historical patterns of expenditure and forecast customer requirements.

Two other capital projects are primarily driven by the requirements to connect new customers and address system load growth. These are:

(i) *Extensions* – This project involves constructing primary and secondary distribution lines to connect new customers to the electrical system, as well as upgrading the capacity of existing lines in response to load growth. The project budget is based on historical patterns for executing this work.

(ii) *Feeder Additions for Load Growth* – This project involves addressing load growth and overload conditions on specific distribution feeders. The project budget is based on the specific need identified for a given year (i.e. the specific feeders to be addressed).

Four distribution projects are focused on drivers other than refurbishment and growth. They are:

(i) *Relocate/Replace Distribution Lines for Third Parties* – This project is necessary to accommodate 3rd party requests to relocate or replace distribution lines. It includes the relocation or replacement of distribution lines due to work initiated

[1] For example, the 2022 *Trunk Feeders – Humber 4.16 kV Conversion Distribution* project addresses the specific need to convert the existing Humber Substation 4.16 kV distribution system to 12.5 kV as part of the least cost solution to address deteriorated substation infrastructure.

by governments, customers and communications companies.[2] The project budget is based on historical patterns for executing this work.

(ii) *Distribution Feeder Automation* – This project involves the installation of downline reclosers on the distribution system. Downline reclosers provide efficiency and reliability benefits for customers.[3] The project budget is based on the specific need identified for a given year (i.e. the type and quantity of downline reclosers to be installed).

(iii) *Electric Vehicle Charging Network* – This project involves the construction of electric vehicle charging stations throughout Newfoundland Power's service territory to enable the delivery of customer electrification programs. The project budget is based on the specific need identified for a given year (i.e. the number and type of charging stations to be constructed).

(iv) *Allowance for Funds Used During Construction* – This project provides an allowance for funds used during construction, which will be charged on distribution work orders with an estimated expenditure of less than $50,000 and a construction period in excess of 3 months.

Collectively, these projects encompass the capital work necessary for the Company to meet its obligation to serve customers and to maintain the safe, reliable and least cost operation of the distribution system. Organizing capital projects based on their nature, scope and justification provides a logical means through which to group capital expenditures. It also ensures project budgets are estimated using the appropriate level of detail, such as detailed engineering estimates for projects based on specifically identified needs.

This method of organizing capital projects is consistent with the *Capital Budget Application Guidelines*.[4]

[2] The Company's response to requests for relocation and replacement of distribution facilities by governments and other service providers is governed by the provisions of agreements in place with the requesting parties. The relocation or replacement of facilities for customers is governed by the Company's policy respecting Contributions in Aid of Construction.

[3] Increasing the level of automation in the distribution system is consistent with Recommendation 2.4 of The Liberty Consulting Group's *Report on Island Interconnected System to Interconnection with Muskrat Falls addressing Newfoundland Power*, December 17, 2014.

[4] The Board's *Capital Budget Application Guidelines* require capital expenditures to be identified as either clustered (i.e. related or interdependent), pooled (i.e. logically grouped together) or other.