

1 **Q. (Reference Cover Letter to Application) It is stated "Amendments to the Public**
 2 **Utilities Act (the "Act") became effective in May 2023. Regarding section 41 of**
 3 **the Act, the amendments provide that a utility shall not proceed with any**
 4 **improvement or addition to its property where the cost exceeds \$750,000**
 5 **without prior approval of the Board."**

6 **a) Please provide Newfoundland Power's (NP's) interpretation of this change**
 7 **in legislation. Specifically, can Newfoundland Power proceed with any**
 8 **project that costs less than \$750,000 without first gaining Board approval,**
 9 **and is pass-through of the cost of such projects to customers guaranteed**
 10 **whether or not the project is shown to be prudent? How will the prudence**
 11 **of such projects be audited? Will Board approval be required for such**
 12 **spending to be included in rate base?**

13 **b) How will the \$750,000 threshold be applied; e.g., to individual projects,**
 14 **projects that are a component of a larger program, projects that might be**
 15 **a component of a larger project; e.g., replacement of a faulty breaker at a**
 16 **substation that is undergoing refurbishment?**

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 18 A. a) On May 25, 2023, the Provincial House of Assembly passed Bill 34 which
 19 implemented a number of amendments to the Act and the *Electrical Power Control*
 20 *Act*.¹ One of the amendments to the Act increased the threshold over which public
 21 utilities must seek the prior approval of the Board before proceeding with additions
 22 or improvements to their property from \$50,000 to \$750,000.²

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 24 Pursuant to the Act, the Board is empowered with the general supervision of public
 25 utilities.³ The Board has the authority to determine the value of property and assets
 26 of a public utility on the basis of prudently incurred costs.⁴ The Board may fix and
 27 determine the rate base of a public utility pursuant to section 78 of the Act, and may
 28 include expenses which the Board thinks fair, appropriate, reasonable and prudently
 29 incurred. The Board fixes Newfoundland Power's rate base on an annual basis as
 30 part of its capital budget applications. As such, the pass-through of capital
 31 expenditures to customers, irrespective of the \$750,000 threshold, is not guaranteed
 32 and the Board may utilize the authority granted to it by the Act so that only those
 33 costs which are reasonable and prudently incurred are included in rate base.

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 35 b) See the response to Request for Information PUB-NP-051.

¹ See *An Act to Amend the Electrical Power Control Act, 1994 and the Public Utilities Act*, SNL 2023, c. 10.

² See the *Public Utilities Act*, RSNL 1990, c. P-47, section 41(3)(a) and associated *Newfoundland and Labrador Regulation 40/23*.

³ See the *Public Utilities Act*, RSNL 1990, c. P-47, section 16.

⁴ See the *Public Utilities Act*, RSNL 1990, c. P-47, section 64(2)(c).