

1 **Reference: Schedule B Projects and Programs over \$750,000**

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3 **Q. Page 137, Allowance for Unforeseen Items. The Allowance for Unforeseen**  
 4 **Items for \$750,000 is included in Schedule B listing projects over \$750,000.**

5 **a) Please explain why Newfoundland Power included this Allowance in**  
 6 **Schedule B given the amount for the project is not greater than \$750,000**  
 7 **and whether Newfoundland Power considers this Allowance the same as a**  
 8 **capital project over \$750,000.**

9 **b) Has Newfoundland Power considered increasing the amount of the**  
 10 **Allowance? If yes, explain why it has not been increased. If no, explain**  
 11 **why it hasn't considered increasing the amount at this time.**

12 **c) How and in what circumstances in 2024 would Newfoundland Power use**  
 13 **the funds available under this Allowance?**

14

15 A. a) The compilation of Newfoundland Power's *2024 Capital Budget Application* was well  
 16 underway when the House of Assembly passed amendments to the *Public Utilities*  
 17 *Act* and the *Electrical Power Control Act, 1994*.<sup>1</sup> Regulation 40/23, issued under the  
 18 recently amended *Public Utilities Act*, states that prior approval of the Board is  
 19 required where a capital expenditure exceeds \$750,000. Newfoundland Power  
 20 recognizes that the current *Allowance for Unforeseen Items* does not exceed  
 21 \$750,000.

22

23 Schedule B of the Company's *2024 Capital Budget Application* includes items for  
 24 which the Board's approval is required. The Board's Provisional Guidelines require  
 25 the Company to obtain the Board's approval for an allowance for unforeseen items.<sup>2</sup>  
 26 The Company included the *Allowance for Unforeseen Items* in Schedule B for  
 27 approval as a result of this requirement.

28

29 b) Newfoundland Power did not consider increasing the amount of the *Allowance for*  
 30 *Unforeseen Items* for the *2024 Capital Budget Application*.

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32 The Company has sought approval for \$750,000 for an *Allowance for Unforeseen*  
 33 *Items* since the *2000 Capital Budget Application*. The requirement to seek approval  
 34 for an allowance for unforeseen items was included in the *2007 Capital Budget*  
 35 *Application Guidelines*, and is also now required in the Provisional Guidelines. Given  
 36 the Company's recent experience with the allowance, there was no basis upon  
 37 which to seek an increase in the amount. In addition, given the timing of the  
 38 release of new legislation by the Provincial Government and the provisional nature  
 39 of the Capital Budget Application Guidelines, the Company maintained the dollar  
 40 amount of the *Allowance for Unforeseen Items* in Newfoundland Power's *2024*  
 41 *Capital Budget Application*.

42

43 Alignment of the Provisional Guidelines with the amended *Public Utilities Act* and  
 44 the new Regulation 40/23 might afford the Company an opportunity to review the

<sup>1</sup> On May 25, 2023, the Provincial House of Assembly passed Bill 34 which implemented a number of amendments to the *Public Utilities Act* and the *Electrical Power Control Act, 1994*.

<sup>2</sup> See section V.A.7 of the Provisional Guidelines – *Allowance for Unforeseen Items*.

1 amount of the *Allowance for Unforeseen Items* and determine if an increase to the  
2 amount would be required.<sup>3</sup>

- 3  
4 c) The purpose of the *Allowance for Unforeseen Items* is to permit the utility to act  
5 expeditiously to deal with events affecting the electrical system which cannot wait  
6 for the specific approval of the Board, and should only be used for expenditures  
7 which are so urgent that any delay would have serious negative consequences.<sup>4</sup>

8  
9 Newfoundland Power expects that should circumstances arise requiring use of the  
10 *Allowance for Unforeseen Items* in 2024, it would align with the description  
11 outlined above.

12  
13 Newfoundland Power has previously used the *Allowance for Unforeseen Items* for  
14 significant weather events, and incidents which posed serious risks to the electrical  
15 system and/or safety of employees or the general public. For example, in 2010  
16 the *Allowance for Unforeseen Items* was used three times to deal with events  
17 affecting the electrical system. The allowance was used to address generation,  
18 transmission and distribution infrastructure that was damaged following Hurricane  
19 Igor.<sup>5</sup> The Company filed a supplemental application on November 30<sup>th</sup>, 2010 for  
20 an additional \$1,900,000 supplementary allowance to the *Allowance for*  
21 *Unforeseen Items*.<sup>6</sup> Newfoundland Power filed a supplemental capital budget  
22 application in 2011 to address the remaining work at the Lawn and Port Union  
23 hydro plants that was not so urgent it needed to be completed under the  
24 *Allowance for Unforeseen Items*.<sup>7</sup>

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<sup>3</sup> In Newfoundland Power's 2000 Capital Budget Application it was determined that an allowance of \$750,000 was sufficient to allow the Company to act expeditiously to deal with events affecting the electrical system which cannot wait for the specific approval of the Board. As there has been significant cost increases over the past 25 years, it is likely a review of the amount of the *Allowance for Unforeseen Items* will result in a requested increase in subsequent capital budget applications.

<sup>4</sup> See Section V.A.7 of the Provisional Guidelines – *Allowance for Unforeseen Items*.

<sup>5</sup> See correspondence to the Board dated November 17<sup>th</sup>, 2010.

<sup>6</sup> See the *Application for Approval of a Capital Expenditure Allowance Supplemental to Newfoundland Power Inc.'s 2010 Capital Budget*, November 30, 2010.

<sup>7</sup> See the *Application for Approval of a Capital Expenditure Allowance Supplemental to Newfoundland Power Inc.'s 2011 Capital Budget and for the Removal from Service of a Diesel Generator at Port Union*, April 8, 2011.