

1 **Reference: General**
2

3 **Q. In the Application certain individual projects are grouped together under one**
4 **project over \$750,000 (e.g., Applications Enhancements) while in other cases**
5 **individual projects less than \$750,000 which appear related are not grouped**
6 **together under one project (e.g., Oxen Pond Substation projects). Please**
7 **explain how and when Newfoundland Power decides to group individual**
8 **projects together under one capital project for which prior Board approval is**
9 **required and when they will be listed individually.**

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11 A. Newfoundland Power organizes its capital expenditures in accordance with the
12 Provisional Guidelines, including organizing capital expenditures by investment
13 classification, category (i.e. projects or programs) and materiality. Investment
14 classifications differ partially on the basis of the major activity drivers in each of the
15 investment classifications.¹

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17 On May 25, 2023, the Provincial House of Assembly passed Bill 34 which implemented a
18 number of amendments to the *Public Utilities Act* and the *Electrical Power Control Act,*
19 *1994*. One of the amendments to the *Public Utilities Act* increased the threshold over
20 which public utilities must seek the prior approval of the Board before proceeding with
21 additions or improvements to their property from \$50,000 to \$750,000.² At the time of
22 the release of the new legislation, the Company was in the late stages in its *2024 Capital*
23 *Budget Application* preparation. The capital expenditures proposed for 2024, as outlined
24 in the *2024 Capital Budget Application*, remain unchanged from their organization prior
25 to the implementation of amended legislation.

26
27 With respect to the grouping of individual capital projects, in general Newfoundland
28 Power organizes capital projects based on the primary justification or driver and
29 similarities in scope. Projects with different justifications or drivers and different scopes
30 would be presented separately, regardless of materiality.

31
32 For example, the *Application Enhancements* project involves the enhancement or
33 replacement of six software applications which are justified on similar bases and involve
34 similar scopes of work. Each individual project is justified on the basis of improving
35 operating efficiency or on improved customer service delivery. Each individual project
36 involves a similar scope of work of enhancing or replacing the Company's software
37 applications to better enable the Company to meet customers' service expectations at
38 the lowest possible cost.³ These projects would all be classified as General Plant under
39 the Provisional Guidelines. Given the similar scope of work for each individual project
40 and the fact they share the same investment classification, they were grouped together
41 as a single project over \$750,000 for prior approval by the Board.

¹ See the Provisional Guidelines, Appendix A, Section II.A, pages 9-12 of 18.

² See *An Act to Amend the Electrical Power Control Act, 1994 and the Public Utilities Act*, SNL 2023, c. 10.

³ See Newfoundland Power's *2024 Capital Budget Application*, report 5.1 *2024 Application Enhancements*.

1 The *Feeder Additions for Load Growth* project involves upgrading three distribution
2 feeders within the Company's service territory to address identified overload conditions
3 which are justified on similar bases and involve similar scopes of work. Each individual
4 project is based on identified overload conditions which can be attributed to residential
5 growth in these specific areas. Each individual project involves a similar scope of work
6 of upgrading identified sections of the distribution feeders from single phase to three-
7 phase to ensure the continued provision of safe and reliable service to customers in
8 these areas.⁴ These projects would all be classified as System Growth under the
9 Provisional Guidelines. Given the similar scope of work for each individual project and
10 the fact that they share the same investment classification, they were grouped together
11 as a single project over \$750,000 for prior approval by the Board.

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13 In the case of the *Oxen Pond Substation Bus Upgrade* and *Oxen Pond Substation Switch*
14 *Replacements* projects, these have not been grouped together as a single project over
15 \$750,000 because they are contained in different investment classifications and have
16 different scopes of work, and therefore have different drivers and justifications for
17 completing the scopes of work. For additional details on the justification of the *Oxen*
18 *Pond Substation Bus Upgrade* and *Oxen Pond Substation Switch Replacements* projects,
19 see the response to Request for Information PUB-NP-015.

⁴ See Newfoundland Power's *2024 Capital Budget Application*, report 1.2 *Feeder Additions for Load Growth*.