

September 23, 2024

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland Power's 2025 Capital Budget Application – Consumer Advocates Request for Technical Conference – Newfoundland Power's Reply

1.0 INTRODUCTION

Newfoundland Power Inc. ("Newfoundland Power" or the "Company") filed its *2025 Capital Budget Application* (the "2025 Capital Budget" or the "Application") on June 28, 2024. On September 20, 2024, the Consumer Advocate requested that the Board hold a technical conference on the Application (the "Consumer Advocate's Request"). Newfoundland and Labrador Hydro ("Hydro") did not request a technical conference. Neither the Consumer Advocate nor Hydro provided notice of an intention to file intervenor evidence on the Application.

The Board's procedure for hearing a public utility's annual capital budget is governed, in part, by its *Capital Budget Application Guidelines (Provisional)*, effective January 2022 (the "Provisional Guidelines").¹ The Provisional Guidelines provide that technical conferences are not mandatory or routine elements of the review process for capital budgets. The purpose and scope of technical conferences are defined in the Provisional Guidelines:

A technical conference may be held where the Board determines that it would assist in providing a full understanding of the scope and nature of a specific capital budget expenditure or a significant issue associated with the capital budget application. The scope of the technical conference will be defined by the Board and will normally be limited to specific matters.²

¹ The Provisional Guidelines were established by the Board as part of an ongoing review process that involves Board staff, Newfoundland Power, Hydro and the Consumer Advocate. The Provisional Guidelines provide additional avenues for intervention, including the formal inclusion of an introductory presentation, intervenor expert reports, and a second round of requests for information, which afford intervenors additional opportunities to add to the evidentiary record.

² Provisional Guidelines, page 3 of 18.

Newfoundland Power Inc.

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2.0 NEWFOUNDLAND POWER'S RESPONSE

The Consumer Advocate's Request outlines seven topics proposed to be addressed at a technical conference. Newfoundland Power addresses each of the Consumer Advocate's enumerated issues below.

Issues 1 and 6

The Consumer Advocate's issues one and six relate to the customer rate impacts of forecast capital expenditures included in the Company's capital plan as well as impacts to rate base and return on equity.

Newfoundland Power's *2025/2026 General Rate Application* (the "2025/2026 GRA") is currently reserved by the Board for final disposition.³ The Company's forecast capital and operating costs, customer rate impacts and cost of capital for the 2025 and 2026 test years were all thoroughly interrogated as part of the 2025/2026 GRA.⁴ Subject to further direction from the Board, Newfoundland Power considers the record of the 2025/2026 GRA to be closed. As a result, Newfoundland Power considers issues normally confined to the 2025/2026 GRA to be outside of the scope of its *2025 Capital Budget Application*.⁵ For the latter years of the five-year capital planning horizon, Newfoundland Power will file another general rate application which will include a full review of costs and rate impacts beyond 2026.

The Provisional Guidelines prescribe the level of information required with respect to the rate impacts of a capital budget. The required information includes a rate impact summary with an overview of historical rates for the past ten years, as well as the revenue requirement and rate impact of the currently proposed capital budget.⁶ This information is included in section 2.3 of the *2025 Capital Budget Overview*, included in the 2025 Capital Budget. In the Company's view,

³ The Consumer Advocate was an intervenor in the 2025/2026 GRA. The review process for the 2025/2026 GRA included 180 Request for Information ("RFIs") from the Board, 310 RFIs from the Consumer Advocate, and 142 RFIs from Hydro. In addition, both the Board and the Consumer Advocate filed intervenor evidence on the 2025/2026 GRA. There were additional RFIs on the intervenor evidence. There were also 11 oral hearing days in which intervenors had the opportunity to cross examine expert witnesses and the Company's executives.

⁴ RFIs on the 2025/2026 GRA that address the balance between costs, reliability and rates include, but are not limited to, PUB-NP-002, PUB-NP-039, PUB-NP-040, PUB-NP-041, PUB-NP-056, PUB-NP-148, PUB-NP-149, PUB-NP-150, PUB-NP-152, CA-NP-009, CA-NP-054, CA-NP-293, NLH-NP-050, NLH-NP-051, NLH-NP-078, NLH-NP-116, NLH-NP-118, and NLH-NP-119. The Company's cost of capital was the subject of three expert reports, no less than 120 RFIs, as well as four days of oral testimony by expert witnesses.

⁵ The Board has previously indicated that general rate applications provide an opportunity to probe overall levels of capital expenditure, the assignment of costs and impacts on rates. See the Board's Response to Consumer Advocate's Request for Oral Hearing, dated November 7, 2023. See also Board Order No. P.U. 2 (2024) Reasons for Decision, page 13, lines 4 to 9.

⁶ See the Provisional Guidelines, page 10 of 18.

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it has satisfied the Provisional Guideline requirements with respect to the rate impacts of the 2025 Capital Budget.

In order to avoid duplication of process and to further the overall goal of regulatory efficiency, Newfoundland Power submits that a technical conference on its 2025 Capital Budget is not the appropriate forum to further explore issues one and six.

Issues 2 and 7

The Consumer Advocate's issues two and seven are the trajectory of the Company's operating expenses, including forecast labour costs, and depreciation expenses. These topics are most appropriately addressed through a utility's general rate application and, as such, were subject to interrogation during the 2025/2026 GRA. As stated, the Board has not yet issued a final disposition of the 2025/2026 GRA. Revisiting these issues as part of the review process of the 2025 Capital Budget amounts to a duplication of process. Further, in the Company's view, the broad topics of forecast operating costs and depreciation do not fall within a "specific capital budget expenditure" and are not "limited to specific matters" as required by the Provisional Guidelines.⁷ Newfoundland Power submits that a technical conference on its 2025 Capital Budget is not the appropriate forum for exploration of issues two and seven.

Issue 3

For the third issue, the Consumer Advocate requests a jurisdictional scan related to reliability metrics. The Consumer Advocate further requests that Newfoundland Power provide information related to Midgard Consulting Inc.'s ("Midgard") understanding of how these metrics should be applied.⁸ Newfoundland Power has no information to provide respecting Midgard's understanding of how reliability metrics should be applied.⁹

Newfoundland Power notes that, in addition to being interrogated as part of its 2025/2026 GRA, the Company's reliability targets have also been explored through the first round of RFIs on the 2025 Capital Budget.¹⁰ The Board's review schedule for the 2025 Capital Budget includes a second round of RFIs where additional information on this topic could be gathered. In the Company's view, this is another broad topic that does not fall within a "specific capital budget expenditure" and is not "limited to specific matters" as required by the Provisional Guidelines.¹¹

⁷ See the Provisional Guidelines, page 3 of 18.

⁸ As part of the Board's ongoing Capital Budget Guideline Review, the Board's consultant, Midgard Consulting Inc., provided a report titled *Newfoundland and Labrador Board of Commissioners of Public Utilities Capital Budget Application Guideline Review*, dated October 29, 2020.

⁹ In implementing the Provisional Guidelines, the Board noted that the Provisional Guidelines do not reflect all of Midgard's recommendations. See Board correspondence dated December 20, 2021.

¹⁰ See the responses to RFIs CA-NP-050, CA-NP-051, CA-NP-052, CA-NP-071, CA-NP-149, NLH-NP-004 and NLH-NP-005.

¹¹ There is no project or program in the capital budget that is justified on the basis of achieving a particular reliability metric.

Given that, and the fact that Midgard is part of a separate ongoing Board process, Newfoundland Power submits that a technical conference on its 2025 Capital Budget is not necessary to address issue three.

Issues 4 and 5

Of the Consumer Advocate's seven enumerated issues, only issues four and five directly pertain to the Company's 2025 Capital Budget. These issues include program budgeting and the Company's use of historical averages in its budgeting methodology. The Company's use of historical averages was interrogated during review of its *2024 Capital Budget Application*. As required in Board Order P.U. 2 (2024) Reasons for Decision, the Company included a report on its use of historical averages as part of its 2025 Capital Budget.¹² This issue has been explored in the first round of RFIs.¹³ Additional information on this topic may be gathered in the second round of RFIs. Newfoundland Power submits that a technical conference on its 2025 Capital Budget is not necessary to address issues four and five as the remaining scheduled process is adequate to fully interrogate these issues.

3.0 CONCLUSION

Of the seven issues identified by the Consumer Advocate, five are outside the scope of the 2025 Capital Budget and do not fall within a "specific capital budget expenditure" and are not "limited to specific matters" as required by the Provisional Guidelines. For the remaining two issues, Newfoundland Power submits that a technical conference is not required to provide a full understanding of their scope and nature as required by the Provisional Guidelines. In the Company's view, the second round of RFIs allows for a more efficient interrogation of any matters arising from the responses to the first round of RFIs.¹⁴ A technical conference on the Consumer Advocate's full list of issues would amount to duplicating processes already completed in the 2025/2026 GRA. As a result of the foregoing, the Company submits that bearing the cost of a technical conference would not be in customers' best interests and the Consumer Advocate's Request should be denied.

¹² See Newfoundland Power's *2025 Capital Budget Application, Use of Historical Averages for Budget Estimations*.

¹³ See for example RFIs PUB-NP-021, PUB-NP-022, PUB-NP-023, PUB-NP-024, PUB-NP-025, PUB-NP-026, PUB-NP-027, PUB-NP-028, CA-NP-096, CA-NP-097, CA-NP-098, CA-NP-099, CA-NP-100, and CA-NP-101.

¹⁴ Proceeding without a technical conference would reduce the risk of schedule slippage and would allow the second round of RFIs to proceed as currently scheduled by the Board.

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We trust the foregoing and enclosed are in order. If you have any questions, please contact the undersigned.

Yours truly,



Dominic Foley
Legal Counsel

Enclosures

cc. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, K.C.
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