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2024-08-13

Dominic Foley
Legal Counsel
Newfoundland Power Inc.
55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6

Dear Madam/Sirs:

**Re: Newfoundland Power Inc. - 2025 Capital Budget Application
To NP - Requests for Information**

Enclosed are Requests for Information PUB-NP-001 to PUB-NP-048 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacquelyn, by email, jglynn@pub.nl.ca or by telephone 709-726-6781.

Sincerely,

Jo-Anne Galarneau
Executive Director and Board Secretary

JG/cj
Enclosure

ecc **Newfoundland Power Inc.**
NP Regulatory, E-mail: regulatory@newfoundlandpower.com
Newfoundland and Labrador Hydro
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1 **IN THE MATTER OF** the **Public**
2 **Utilities Act**, (the "**Act**"); and
3
4 **IN THE MATTER OF** an application by
5 Newfoundland Power Inc. for an order
6 pursuant to sections 41 and 78 of the **Act**:
7 (a) approving its 2025 Capital Budget; and
8 (b) fixing and determining its 2023 rate base.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NP-001 to PUB-NP-048

Issued: August 13, 2024

1 **General**

2

3 **PUB-NP-001** Newfoundland Power's 2025 Capital Budget Application is the second budget filed
4 since the increase in the threshold approval amount to \$750,000. How has this
5 impacted Newfoundland Power's capital budget process?
6

7 **PUB-NP-002** Does Newfoundland Power apply the same decision-making process to projects
8 under \$750,000 as it does for projects over \$750,000 to determine if these projects
9 should be included or deferred?
10

11 **PUB-NP-003** Please detail the capital investments reflected in the 2025 Capital Budget
12 Application and the 5-year capital plan to address the projected conversions to
13 electric vehicles and conversions from oil heating to electric heating.
14

15 **PUB-NP-004** In its 2025 Capital Budget Application, Hydro has stated it has established a process
16 of undertaking a thorough review of its previously approved multi-year projects to
17 identify opportunities for budget refinement for ongoing projects or programs.

- 18 a) Does Newfoundland Power follow a similar process? If not, why not.
19 b) Would a thorough review of the planned expenditures of multi-year projects
20 in advance of filing the annual capital budget application in 2024 have resulted
21 in additional information being provided to the Board on the anticipated
22 increase in spending on the ongoing rebuild Transmission line 94L? If not, why
23 not?
24

25 **PUB-NP-005** Newfoundland Power has a number of capital programs in its capital budget. Given
26 the current circumstances of regular increases in capital expenditures, what would
27 be the impacts (both financial and operational) of reducing the budget for capital
28 programs (i.e. not specific capital projects) in the range of 3% to 5%?
29

30 **Schedule B 2025 Capital Projects and Programs Over \$750,000**

31

- 32 **PUB-NP-006** a) Please describe which projects in the 2025 CBA are most susceptible to
33 completion delays due to supply chain challenges.
34 b) How have supply chain challenges been reflected in the timelines of projects
35 that are most at risk of delay in completion?
36

37 **PUB-NP-007** Pages 10-11, Distribution Feeders SCT-01 and BLK-01 Relocation. Newfoundland
38 Power states on page 10 that "*The Distribution Feeder SCT-01 and BLK-01*
39 *Relocation* project involves relocating sections of the St. Catherine's ("SCT")
40 substation distribution feeder and Blaketown ("BLK") substation distribution
41 feeder to accommodate the *Transmission Line 94L Rebuild* project." Why is the
42 *Distributions Feeders SCT-01 and BLK-01 Relocation* project presented as a
43 separate project rather than being included as part of the *Transmission Line 94L*
44 *Rebuild* project?

- 1 **PUB-NP-008** Page 33, Replacement Transformers and page 37, New Transformers. It is stated
 2 that the estimate for the budget year is calculated by taking the average of the
 3 Adjusted Costs, adding a forecasted 11% increase in material costs and inflating it
 4 using the GDP Deflator for Canada. Please provide support for the forecasted 11%
 5 increase in material costs.
 6
- 7 **PUB-NP-009** Page 46, Replacement Street Lighting. Please provide a table of the annual
 8 expenditures for the Replacement Street Lighting program from 2021 to 2024,
 9 expressed in both Total and Adjusted Costs.
 10
- 11 **PUB-NP-010** Page 105, Application Enhancements. Please provide additional detail on the
 12 upgrades that will be made to the takeCHARGE website and how they will improve
 13 customer access to information.
 14
- 15 **PUB-NP-011** Page 130, VHF Radio System Replacement.
 16 a) Did Newfoundland Power complete an assessment of alternatives prior to
 17 deciding to pursue satellite PTT technology.
 18 b) On page 131 Newfoundland Power states that “The vendor has informed the
 19 Company that the current system will be shut down in June 2024.” Please
 20 provide details on the measures Newfoundland Power has taken so as to have
 21 a means of backup communications and truck-to-truck communications from
 22 June 2024 until the purchase of satellite PPT devices?
 23

24 **Schedule C 2025 Capital Projects and Programs \$750,000 and Under**

- 25
- 26 **PUB-NP-012** Page 4, Transmission - Wood Pole Retreatment. Newfoundland Power states that
 27 the project involves the retreatment of selected transmission poles with wood
 28 preservative and that “Newfoundland Power intends for this project to transition
 29 to a program in future years.”
 30 a) Does the introduction of this program signify a significant change to
 31 Newfoundland Power’s *Transmission Line Rebuild Strategy*? Please explain.
 32 b) Does this program have the potential to decrease or eliminate the need for
 33 the wholesale rebuild of transmission lines? Please explain.
 34 c) Will the program eventually evolve beyond simple retreatment of poles and
 35 include remediation of other transmission line components (i.e., similar to
 36 Hydro’s Pole Line Management Program)? Please explain.
 37

38 **2025 Capital Budget Overview**

- 39
- 40 **PUB-NP-013** Page 3. Please provide a table showing the annual forecast and actual new
 41 customer connections for the period 2014 to 2023 inclusive.
 42
- 43 **PUB-NP-014** Page 13. Newfoundland Power states that its “investment in T&D assets has
 44 increased at a rate lower than the average of other Atlantic Canadian utilities over

1 the ten-year period ending 2022.” Please provide the statistics for the five-year
2 period ending in 2022.

3
4 **PUB-NP-015** Appendix B: Deferred, Modified and Advanced Capital Expenditures, Table B-2.
5 Four of the five capital projects being deferred from 2025 to subsequent years are
6 being deferred to allow for further engineering assessment. Four capital projects
7 from Newfoundland Power’s 2024 Capital Budget Application were also deferred
8 with the same explanation.

9 a) Does this indicate that engineering assessments are not progressing as quickly
10 as planned or that assessments require more refinement as they progress?

11 b) Does Newfoundland Power have concerns or are they reviewing its assessment
12 practices?

13
14 **PUB-NP-016** Appendix B: Deferred, Modified and Advanced Capital Expenditures, Table B-2. For
15 the four capital projects being deferred from 2025 to subsequent years, please
16 provide further explanation for each project as to how it reached the stage of
17 consideration for inclusion in the 2025 Capital Budget if sufficient engineering had
18 not been completed, and what specifically for each project requires additional
19 engineering assessment.

20
21 **PUB-NP-017** Appendix D: List of Worst Performing Feeders. Does Newfoundland Power intend
22 to start tracking the performance of its feeders to enable it to collect the required
23 data to report?

24
25 **PUB-NP-018** Appendix D: List of Worst Performing Feeders. How does Newfoundland Power
26 reconcile the five performance measures to determine the feeder’s requiring
27 priority for capital expenditure?

28 29 **2025-2029 Capital Plan**

30
31 **PUB-NP-019** Page 5. At Footnote 13, Newfoundland Power references the Federal
32 Government’s statement on the importance of adapting the Atlantic energy sector
33 to climate change.

34 a) Has Newfoundland Power prepared a climate change adaptation strategy? If
35 yes, has this strategy been formalized in writing? Please provide a copy of the
36 document or details of the strategy.

37 b) Does Newfoundland Power believe a climate change adaptation strategy
38 would provide clarity on the grid investments required to provide grid
39 resiliency and reliability for the future?

40
41 **PUB-NP-020** Page 19. Newfoundland Power states that from 2025 to 2029 it intends to execute
42 rebuild projects on eight transmission lines at an annual average cost of
43 approximately \$12.5 million.

44 a) Do any of the eight contemplated projects involve bog and similar terrain to
45 that encountered in Scope 1 of the Transmission Line 94L Rebuild?

- 1 b) If so, does the 2025-2029 estimated average annual cost of \$12.5 million
 2 reflect the additional contractor costs (if any) related to the terrain covered in
 3 Scope 1 encountered in the Transmission Line 94L Rebuild?
 4 c) Does the 2025-2029 estimated average annual cost of \$12.5 million reflect the
 5 additional contractor costs (if any) not related to the terrain conditions
 6 encountered in the Transmission Line 94L Rebuild?
 7

8 **Use of Historical Averaging for Budget Estimates Report**

9

10 **PUB-NP-021** Throughout its General Rate Application hearing, Newfoundland Power spoke of
 11 higher inflation costs and increased capital cost pressures. How will Newfoundland
 12 Power reflect this in its use of historical averaging?
 13

14 **PUB-NP-022** Pages 2-3, Table 1. Please confirm that the proposed 2025 budget for the programs
 15 were calculated based on historical annual expenditures over the most recent 5-
 16 year period expressed in current-year dollars inflated by the GDP Deflator for
 17 Canada for non-labour costs and the Company's internal labour inflation rate for
 18 labour costs. If this cannot be confirmed, please explain each departure from this
 19 methodology.
 20

21 **PUB-NP-023** a) Page 4, Table 2. Does Newfoundland Power have statistics or information on
 22 the portion of each utility's total capital budget that is proposed based on
 23 historical expenditures?
 24 b) Newfoundland Power utilizes historical average spending for over 20 programs
 25 which seems quite high compared to the other Canadian utilities in Table 2.
 26 Please explain.
 27

28 **PUB-NP-024** Page 6. What is Newfoundland Power's method for identifying a cost as an outlier?
 29

30 **PUB-NP-025** Page 6-7. Are there any circumstances where Newfoundland Power would remove
 31 an outlier (either high or low)? Please explain.
 32

33 **PUB-NP-026** Page 6. Newfoundland Power states, "In the Company's 2025 Capital Budget
 34 Application, the budgets for the New Transformers and Replacement Transformers
 35 programs are based on a three-year historical average rather than the five-year
 36 average methodology due to higher than average material costs combined with
 37 increases to meet minimum inventory requirements." Please reconcile this
 38 statement with the statements on pages 33 and 37 of Schedule B – Projects and
 39 Programs Over \$750,000, which indicate that the estimate for the budget year for
 40 these programs is calculated by taking the average of the Adjusted Costs, adding a
 41 forecasted 11% increase in material costs and inflating it using the GDP Deflator
 42 for Canada.
 43

44 **PUB-NP-027** Pages 6-7. Should Newfoundland Power modify its methodology to ensure that
 45 forecast price increases are captured in the capital budgeting process? If so, what

1 is the threshold at which an added forecast increase should be used rather than
 2 including outliers in a 5-year average calculation to ensure “the program budget
 3 estimates contemplate that capital expenditure requirements in any one year may
 4 vary by a larger amount than a more typical year”?
 5

6 **PUB-NP-028** Page 7. Newfoundland Power states that it views its historical average approach as
 7 equivalent to extrapolation. Is there any difference between the two approaches?
 8 If not, why would Newfoundland Power present extrapolation as an alternative?
 9

10 **3.1 Gander-Twillingate Transmission System Planning Study**

11
 12 **PUB-NP-029** a) Please provide in detail the environmental assessments conducted in planning
 13 the project and the types of environmental costs reflected in the projected
 14 costs.

15 b) Please explain whether potential environmental costs were a relevant
 16 consideration in evaluating project alternatives and provide details.
 17

18 **PUB-NP-030** Has Newfoundland Power considered whether the project necessitates a review
 19 of the wheeling rate that will be charged to Hydro for power and energy wheeled
 20 to its delivery point at Farewell Head?
 21

22 **PUB-NP-031** Page 10. Newfoundland Power states that “The historical reliability performance
 23 of Transmission Line 108L has been poor, and the line has experienced a number
 24 of outages in recent years due to a variety of factors.”

25 a) Footnote 14 states that “Over the last 10 years, approximately \$262,000 has
 26 been spent on completing corrective and preventative maintenance of
 27 Transmission Line 108L.” Does Newfoundland Power consider that it has
 28 performed sufficient preventive maintenance on Transmission Line 108L given
 29 that Newfoundland Power describes its historical reliability performance to be
 30 poor? Please explain.

31 b) Please provide the T-SAIDI and T-SAIFI for Transmission Line 108L and compare
 32 its reliability metrics to Newfoundland Power’s average reliability metrics for
 33 similar transmission lines within its service territory.
 34

35 **PUB-NP-032** Page 21. Newfoundland Power states “An NPV analysis of the viable alternatives
 36 presented in section 3.1 was completed to determine customer revenue
 37 requirements associated with each alternative over the life cycle of the required
 38 capital assets.”

39 a) Please provide the NPV analysis in a table showing every year in the study
 40 period as well as a graphical representation over the life of the study period.

41 b) Did Newfoundland Power include the cost of the replacement GAN-T2 power
 42 transformer (\$4,185,000) within the NPV analysis conducted for the *New*
 43 *Transmission Line from Lewisporte to Boyd’s Cove* project? If not, please
 44 explain. If yes, why is there a separate project for it (i.e., *GAN-T2 Power*
 45 *Transformer Replacement* project)?

- c) If the GAN-T2 power transformer has not been included, how would the results contained within Table 9, as well as the corresponding tables illustrating the various sensitivity analyses, be impacted if the capital costs associated with GAN-T2 were included?
- d) If the resultant NPV analysis, with the inclusion of the GAN-T2 costs, shows this project as not being the least cost option, or for some other reason this project was not approved, how would Newfoundland Power’s plans for the rebuilds of transmission lines 142L and 114L be impacted, if at all?

3.2 Transmission Line 94L Rebuild

PUB-NP-033 Pages 4-5. Newfoundland Power states that in early 2023 it issued the tender for Scope 1 and received higher than anticipated contractor pricing, and that the pricing received for Scope 2 was also higher than anticipated, resulting in an increase to the overall forecasted cost of the Project.

- a) Please complete the following table comparing the budgeted costs when this project was initially approved to the actual/forecast costs for each year. In the response, please also include any associated distribution costs resulting from revising the project scope.

Transmission Line 94L Rebuild		
Year	Original Budget	Actual/Forecast Cost
2022		
2023		
2024		
2025		
2026		

- b) Please explain why the higher contractor pricing was not noted in Newfoundland Power’s 2024 Capital Budget Application filed in June 2023, where on page 18 of the 2024 Capital Budget Overview it is stated that there has been no change in the nature, scope or magnitude of this project.
- c) Please outline Newfoundland Power’s rationale for continuing to spend capital on the project prior to further evaluation from the Board.
- d) Given the approved budget estimates for 94L were significantly less than the actual and projected costs to complete the project, does this under-budgeting indicate potential issues with the original estimation process? What lessons have been learned from this project to apply to budget development for future projects?

PUB-NP-034 Page 4. Newfoundland Power states that the primary reason for the cost increase is the depth of bogs requiring more access trails and bog mats.

- a) Are there other reasons for the significant increase in costs? If so, please provide.

- 1 b) In determining the original budget for the project, did Newfoundland Power
 2 review the route looking for particular areas such as bog that could and most
 3 likely would put pressure on the budget? If not, why?
 4 c) Please detail Newfoundland Power's approach to ensuring environmental
 5 requirements are adequately reflected in project cost estimates.
 6 a) What would be the advantages and disadvantages of having environmental
 7 approvals of capital projects completed prior to submitting capital projects for
 8 approval by the Board? How is this managed in other Canadian jurisdictions?
 9

10 **PUB-NP-035** Have the supply chain challenges which contributed to the delay in project
 11 completion been resolved? Are there any further concerns with delays in
 12 completing the project prior to the end of 2026?
 13

14 **PUB-NP-036** Page 10. Please provide Newfoundland Power's estimate for capital cost of the 3.5
 15 kilometre transmission line build in 2024.
 16

17 **5.1 Port Union Building Replacement**

18
 19 **PUB-NP-037** Page 1. Given the proximity of Bonavista to Clarenville (i.e., less than 120
 20 kilometres) it would appear to be well within Newfoundland Power's target
 21 response time of two hours, 85% of the time. Has Newfoundland Power
 22 considered the alternatives of:
 23 (i) operating out of the Clarenville area office; or
 24 (ii) maintaining the material storage area at Port Union?
 25

26 If Newfoundland Power has conducted an analysis into these or any other
 27 alternative operating arrangements, please provide the details. If no other
 28 alternatives have been considered, please explain the rationale for not doing so.
 29

30 **PUB-NP-038** Page 3. Newfoundland Power states a visual condition assessment of the facility
 31 was completed in 2024.

- 32 a) Please provide details of the steps involved in a visual condition assessment.
 33 b) Is the condition assessment referenced in the Conclusion on Page 11 the same
 34 as the visual condition assessment? If not, when was the condition assessment
 35 completed?
 36 c) How has Newfoundland Power addressed the concerns identified in the
 37 condition assessment(s) since completion?
 38

39 **PUB-NP-039** Page 7. Newfoundland Power states that "There is no fresh air supply into the
 40 structure apart from when exterior doors are opened. Without adequate fresh air
 41 supply and extraction, the Facility does not meet the Newfoundland and Labrador
 42 Occupational Health and Safety Regulations."
 43

- 44 a) What are the implications of not meeting the Newfoundland and Labrador
 Occupational Health and Safety Regulations (monetary and other)?
 45 b) Does Newfoundland Power have concerns with the building remaining open

1 given it does not meet the Regulations? If no, please explain.

2 c) In the Capital Budget Overview, pages 4 to 5, Newfoundland Power states that
3 once it is determined that a capital expenditure may be necessary, all viable
4 alternatives are assessed, including alternatives that could result in the
5 deferral of capital expenditures. Did Newfoundland Power consider deferral of
6 this project?
7

8 **6.2 Asset Management Technology Replacement**

9

10 **PUB-NP-040** Further to PUB-NP-017 of Newfoundland Power's 2024 Capital Budget Application,
11 please provide a further update, including work completed and results to date, on
12 the ongoing review of Newfoundland Power's asset management practices,
13 including any results of the completion of Newfoundland Power's asset
14 management review and whether any regulatory approvals will be required for
15 implementation of any of the review findings.
16

17 **PUB-NP-041** Once complete, could the results of Newfoundland Power's asset management
18 review change its choice of asset management technology?
19

20 **PUB-NP-042** What is the projected life of the proposed asset management system?
21

22 **PUB-NP-043** Will the proposed software purchase require that current integrations as described
23 in section 2.2.2 (page 7) require individual programming to integrate with the
24 proposed software? If not, please explain. If so, then at what cost?
25

26 **PUB-NP-044** Page 6. What happens to work requests that are not approved and incorporated
27 into work orders?
28

29 **PUB-NP-045** Page 9. In describing Alternative 2, it is stated that the new technology will support
30 the Company's current asset management practices with the addition of
31 enhancements that are native to modern solutions. Please describe these
32 enhancements and indicate when and if Newfoundland Power is likely to utilize
33 them.
34

35 **PUB-NP-046** Page 9. In describing Alternative 2 it is stated that the solution will be able to
36 incorporate additional functionality as the Company's asset management
37 capability matures. Will these additions require additional programming or future
38 costs in order for the additional enhancements to be integrated?
39

40 **PUB-NP-047** Page 11-12. Does the current project scope and cost include the cost and labour
41 to transfer existing data and programs to the new system?
42

43 **PUB-NP-048** Appendix A: AMCL Technology Report, page 7. It is stated that replacing the
44 functionality available in the current asset management software, like with like,
45 will adequately support Newfoundland Power's current asset management
practices. However, given the improvements in software and technology since the

1 original implementation, replacing the existing functionality like-for-like is no
2 longer an option. Are there additional reasons, other than improvements in
3 software and technology, for not considering a like with like replacement as an
4 alternative?

DATED at St. John's, Newfoundland this 13th day of August, 2024.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per

A handwritten signature in blue ink, appearing to read 'Jo-Anne Galarneau', is written over a horizontal line.

Jo-Anne Galarneau
Executive Director and Board Secretary