

- 1 **Q. (Reference Application, 2.1 2025 Substation Refurbishment and**  
 2 **Modernization)**  
 3 **a) According to Table 1, is NP proposing to spend a total of \$55.4 million on**  
 4 **this program over the next 5 years?**  
 5 **b) For this program, what is the average cost per customer served by these**  
 6 **substations over the next 5 years?**  
 7 **c) Are the substations included in the program now operating with**  
 8 **acceptable reliability?**  
 9 **d) Does NP expect to be in a position to quantify the risk of failure before**  
 10 **2030? Is NP prioritizing the quantification of risk in its asset management**  
 11 **review?**  
 12 **e) It is stated (page 1) “Due to supply chain constraints and procurement**  
 13 **lead times for electrical equipment, Newfoundland Power is transitioning**  
 14 **to multi-year substation refurbishment and modernization projects.” (i)**  
 15 **Does NP have evidence that the supply chain constraints are to be long**  
 16 **lasting? (ii) Has NP given consideration to delaying this program until**  
 17 **supply chain challenges have been resolved, or is NP proceeding with a**  
 18 **“business-as-usual” approach?**  
 19
- 20 **A.** a) According to Table 1 in the *2025 Capital Budget Application*, report *2.1 2025*  
 21 *Substation Refurbishment and Modernization*, the Company is currently forecasting  
 22 an expenditure of \$54.1 million as part of Substation Refurbishment and  
 23 Modernization projects over the next five years.  
 24
- 25 b) Capital costs associated with projects and programs proposed in Newfoundland  
 26 Power’s *2025 Capital Budget Application* are intended to be indirectly recovered from  
 27 customers through customer rates. Some costs may be offset by decreased  
 28 operating costs resulting from capital investments. The relationship between capital  
 29 costs and customer rates is therefore not a direct one.  
 30
- 31 The Board has previously recognized the complex relationship between capital  
 32 investments, revenue requirements and customer rates.<sup>1</sup> The Board has also  
 33 recognized that fully justified capital expenditures contribute to the delivery of least-  
 34 cost service to customers.<sup>2</sup>  
 35
- 36 For more information on the complex relationship between revenue requirements,  
 37 customer rates and capital investment, see Newfoundland Power’s *2025 Capital*  
 38 *Budget Application, 2025 Capital Budget Overview*, section *2.3.3: Customer Rates*.

<sup>1</sup> In Order No. P.U. 40 (2005), the Board stated: “NP undertakes a capital program and incurs capital expenditures each year and these expenditures impact the revenue requirement in other ways, in addition to depreciation. The portion of capital expenditures incurred for example as a result of customer growth will be offset somewhat by higher revenues from increased energy sales. Other capital expenditures may impact maintenance expenses...these expenses are properly dealt with in the context of a general rate application.”

<sup>2</sup> In Order No. P.U. 7 (2002-2003), the Board stated: “From a regulatory perspective, efficient operations, fully justified capital expenditures and a low-cost capital structure all combine to minimize revenue requirement, and hence provide least cost electricity to ratepayers.”

Requests for Information

- 1 c) Reliability statistics are lagging indicators that encompass historical issues. Waiting  
2 for reliability on a substation to degrade before undertaking capital investment would  
3 result in customers being exposed to a poor quality of service for an extended  
4 period. Substation Refurbishment and Modernization projects are not justified based  
5 on historical reliability statistics, but on the condition of core infrastructure and  
6 equipment.  
7
- 8 d) See the responses to Requests for Information PUB-NP-040, PUB-NP-045, CA-NP-  
9 084, CA-NP-085, CA-NP-146, and CA-NP-147.  
10
- 11 e) See part b) of the response to Request for Information CA-NP-073. See also part d)  
12 of the response to Request for Information CA-NP-119.