

1 **Q. (Reference CA-NP-151)**

2 **According to the 2023 Capital Expenditure Report, Appendix A (page 5 of 12)**
 3 **the reason that expenditure on the Reconstruction program in 2023 was so**
 4 **high, namely \$923,000 in excess of that year's budget of \$6,699,000, is that**
 5 **"major events late in the year resulted in additional work being required as**
 6 **compared to the historical average."**

7 **a) Please comment on the likelihood of such major events reoccurring.**

8 **b) In the 2025-2029 Capital Plan, Table A-2, the forecast expenditures on the**
 9 **Reconstruction program are given for 2025 to 2029 and are increasing. (i)**
 10 **Why has NP embodied the effect of the major 2023 events into all these**
 11 **years? (ii) Please provide a table that gives the reconstruction program**
 12 **expenditure in each year for 2025F to 2029F along with the percentage**
 13 **increases over the preceding year and the forecast GDP-deflator-based**
 14 **inflation rate for each of those years.**

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 16 A. a) In practice it is impossible to predict the exact frequency or timing of a major event
 17 as it varies every year. Newfoundland Power's five-year average for major event
 18 days from 2019 to 2023 is 2.8 days per year. Refer to the response to Request for
 19 Information CA-NP-216 for the definition of a major event.¹

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 21 b) i) The *Reconstruction* program is a corrective maintenance program that involves
 22 the replacement of deteriorated or damaged distribution structures and electrical
 23 equipment. The program addresses high-priority deficiencies that are identified
 24 during inspections or recognized during operational problems, including customer
 25 outages and trouble calls. These deficiencies can include those related to storm
 26 damage not rising to the level of requiring an application under the *Allowance for*
 27 *Unforeseen Items*.

28
 29 See the responses to Requests for Information CA-NP-090 and CA-NP-216 for
 30 further information as to the specific events in 2023. Events of this nature are
 31 not uncommon in Newfoundland Power's service territory. As noted above,
 32 Newfoundland Power has experienced an average of 2.8 major event days per
 33 year over the past five years. As major event days are largely driven by the
 34 weather, the events in any given year may be above or below the average.
 35 Including the above-average years such as 2023 produces an accurate
 36 representation of a five-year average given major event days are expected to
 37 occur in the future.

¹ The IEEE 2.5β method for classifying major event days is based on a benchmark probability of 0.000621, or 2.3 days per year. See Electricity Canada (n.d.). *Major Event Day Determination Reference Guide*, page 7. Retrieved October 11, 2024 from https://www.electricity.ca/files/reports/english/MED-Methods_CEA_2015-1.pdf.

- 1 ii) Table 1 provides the 2025F to 2029F expenditures for the *Reconstruction*
 2 program, as well as the percentage increases over the preceding year and the
 3 forecast GDP-deflator-based inflation rate for each of the years.

Table 1: Reconstruction Program Forecast Capital Expenditures (2025F-2029F)						
	2024F	2025F	2026F	2027F	2028F	2029F
Total (000s)	\$6,953	\$7,425 ²	\$7,660	\$7,847	\$8,037	\$8,235
Annual Increase	-	6.78%	3.17%	2.44%	2.42%	2.46%
Inflation Rate		3.12%	3.15%	2.42%	2.40%	2.44%
GDP Deflator		1.63%	1.63%	1.76%	1.73%	1.80%

² The capital expenditure for 2025F reflects the inflation-adjusted five-year average capital expenditure from 2020 to 2024 of \$7.2 million, not the 2024F capital expenditure, multiplied by Newfoundland Power's Inflation Rate.