

Use of Historical Averaging for Budget Estimates Report

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3 **Q. a) Page 4, Table 2. Does Newfoundland Power have statistics or information**
4 **on the portion of each utility's total capital budget that is proposed based**
5 **on historical expenditures?**
6 **b) Newfoundland Power utilizes historical average spending for over 20**
7 **programs which seems quite high compared to the other Canadian utilities**
8 **in Table 2. Please explain.**
9

- 10 A. a) Newfoundland Power completed a jurisdictional scan using publicly available
11 information to complete Table 2. While the Company does not have the information
12 to accurately provide a complete analysis as requested, it can provide the following:¹
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14 • The Company has 22 capital programs in in 2025 capital budget, which make
15 up 48% of the total 2025 capital budget amount. Half of these programs
16 have a budget amount of less than \$750,000.² Of 11 programs with a budget
17 amount above \$750,000, there are nine distinct work types with transformer
18 and street lighting work broken down into two separate programs in
19 compliance with the Provisional Guidelines, effective January 2022.³
20
21 • Maritime Electric's 2024 proposed capital expenditures totaled \$63.5 million.⁴
22 Of this amount, 50% relates to recurring capital work similar to
23 Newfoundland Power's capital programs.⁵ In 2024, Maritime Electric had 26
24 recurring capital programs.⁶ In addition to the programs outlined in Table 2,
25 which are based on five-year averages, Maritime Electric has other recurring
26 programs that are based on historical information.⁷ As an example, Maritime
27 Electric proposed 2024 capital expenditures related to distribution
28 transformers of \$14.4 million. The budget amount was based on 2023
29 requirements adjusted to reflect forecast per unit cost increases.⁸
30
31 • Nova Scotia Power's 2023 Annual Capital Expenditure ("ACE") Plan includes
32 \$126.0 million related to routine capital programs.⁹ According to Nova Scotia
33 Power, its routine capital items are recurring annual expenditures for
34 replacement of equipment (like for-like replacement), additions to existing

1 The Company notes that each utility has their unique requirements, approaches and terminology, which also hinders a complete comparability analysis.

2 See the response to Request for Information CA-NP-096.

3 *New Transformers* and *New Street Lighting* programs are included under the Access investment classification. *Replacement Transformers* and *Replacement Street Lighting* is included under the Renewal investment classification.

4 See Maritime Electric's *2024 Capital Budget Application*, dated August 4, 2023, page 7, table 1.

5 Ibid., page 9, figure 2.

6 Ibid., Appendix B.

7 Ibid., page 38, lines 19-21.

8 Ibid., page 71. As provided by Maritime Electric, the 2024 budget for distribution transformers was 50% higher than the 2023 budget amount.

9 See Nova Scotia Power's *2023 ACE Plan*, dated February 28, 2023, pages 48-49.

1 equipment base resulting from system growth, and addition of customers to
2 the system.¹⁰

3
4 Of the total routine capital expenditures amount, \$120.6 million relates to
5 transmission, distribution and general plant expenditures.¹¹ Total 2023
6 planned capital expenditures for these functions totaled \$263.2 million.¹² The
7 proportion of routine expenditures to total expenditures for these functions
8 was approximately 46% in the 2023 ACE Plan.¹³

9
10 Nova Scotia Power lists more than 60 routine capital projects in its 2023 ACE
11 Plan, with more than 40 relating to transmission, distribution and general
12 plant expenditures.¹⁴

13
14 Nova Scotia Power provides that it uses historical information to determine
15 routine capital expenditures. See, for example, Figures 30, 33, 36, 37 in its
16 2023 ACE Plan, which specifically reference the use of historical averages to
17 determine the budget amounts. However, Newfoundland Power is unable to
18 provide a fulsome analysis based on the publicly available information
19 reviewed.

- 20
21 • Hydro's 2024 capital budget totaled \$96.5 million.¹⁵ Of this amount, 61% was
22 classified as program expenditures.¹⁶ Hydro defines its programs as only
23 those expenditures that are expected to continue indefinitely.¹⁷ Hydro's 2024
24 capital budget contained 118 projects and programs; however,
25 Newfoundland Power was not able to determine what portion of that total
26 were programs.¹⁸

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28 b) See part a).

¹⁰ Ibid., page 11.

¹¹ Ibid., page 48-49.

¹² Ibid., page 14. The total 2023 ACE Plan was \$382.3 million, of which \$119.1 million related to generation expenditures with the remaining \$263.2 million relating to transmission, distribution and general plant expenditures.

¹³ \$120.6 million / \$263.2 million = 0.4582.

¹⁴ Ibid., pages 49-52, Figure 25.

¹⁵ See Hydro's *2024 Capital Budget Application, 2024 Capital Budget Overview, Appendix A*, page A-10.

¹⁶ Ibid. \$58.6 million, or 61% were classified as program expenditures. \$24.9 million, or 26% were classified as project expenditures. \$13.0 million, or 13% were not classified as either program or project expenditures.

¹⁷ Ibid., page 5.

¹⁸ Ibid., page 24. Hydro outlines its projects and programs in the appendices to its *2024 Capital Budget Overview*.