August 7, 2026

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

Attention: Mike McNiven
Board Secretary

Dear Mr. McNiven:

Re: Newfoundland Power's 2027 Capital Budget Application – Request for Technical Conference – Newfoundland Power's Reply

1.0 INTRODUCTION

Newfoundland Power Inc. ("Newfoundland Power" or the "Company") filed its *2027 Capital Budget Application* (the "Application") on May 29, 2026. On August 3, 2026, the Consumer Advocate requested that the Board of Commissioners of Public Utilities (the "Board") hold a technical conference to address eight issues/questions relating to the Application (the "Consumer Advocate's Request"). On August 4, 2026, the Board filed correspondence requesting two issues it has on the Application be addressed in a technical conference (the "Board's Request").[1] In its correspondence, the Board set August 7, 2026 as the date for Newfoundland Power to file comments on the list of items proposed for the technical conference.

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").[2] Section V.1.g of the Provisional Guidelines defines the purpose and scope of a technical conference as follows:

> *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.*[3]

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1 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.

2 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.

3 Provisional Guidelines, page 3 of 18.

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The Provisional Guidelines provide that a technical conference is not a mandatory element of the annual capital budget review process. In years that the Board determines that a technical conference is necessary, the Provisional Guidelines further provide that issues addressed at a technical conference are to be limited to a specific capital budget expenditure included in the Application or to a significant issue associated with the Application.

The Board's practice of administering technical conferences has been consistent with requirements set out in the Provisional Guidelines. Most recently during the hearing of Newfoundland Power's *2025 Capital Budget Application*, the Consumer Advocate requested that the Board hold a technical conference to address seven issues proposed by the Consumer Advocate. Following review of the request and Newfoundland Power's reply, the Board determined that the request did not meet the technical conference requirements as set out in the Provisional Guidelines.[4] As part of its decision, the Board reiterated its prior communication regarding the criteria for a technical conference, including that a *"technical conference can be particularly useful in the case of a capital project which involves complex technical issues which require further exploration and in the case of large capital projects where there are multiple issues and significant expenditures*."[5] As part of its decision, the Board also provided that the second round of Requests for Information ("RFIs") included in the capital budget hearing schedule allows the parties to gain a full understanding of issues that do not meet the requirements to be addressed at a technical conference.

In Newfoundland Power's view, the Provisional Guidelines and past practice of the Board underscore the importance of an efficient capital budget review process. A technical conference limited to specific and complex expenditures included in the Application or significant issues allows for an effective technical conference, with the written process being an effective means for parties to explore other issues or questions they may have.

2.0 NEWFOUNDLAND POWER'S REPLY

Newfoundland Power has begun preparations to address in a technical conference the two issues set out in the Board's Request associated with the Company's replacement of its power transformers and distribution wooden structures and overhead conductor. Newfoundland Power notes that the first issue in the Consumer Advocate's Request is also regarding the replacement of its power transformers and, as such, will be addressed in the technical conference.

The second issue raised in the Consumer Advocate's Request questions the justification of the proposed *Portable Substation* project. Newfoundland Power recognizes that the *Portable Substation* project expenditure is relatively large and the issue raised by the Consumer Advocate overlaps with the issue relating to the Company's replacement of its power transformers. The Company also acknowledges its last project proposing a portable substation was in its *2012 Capital Budget Application*. For these reasons, subject to Board determination,

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4 See the Board's correspondence dated September 26, 2024, filed as part of Newfoundland Power's *2025 Capital Budget Application*, page 1.

5 *Ibid*.

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Newfoundland Power believes it is reasonable to address the *Portable Substation* project as part of the technical conference.

Newfoundland Power submits the remaining issues in the Consumer Advocate's Request do not satisfy the requirements for inclusion in a technical conference. As discussed more fully below, most of the issues are broad in nature and have been addressed in prior proceedings and none of the issues are associated with a relatively complex or large expenditure included in the Application. Consistent with past practice, it would be most effective for further inquiries on these issues to be addressed through the written process.

Issue Three

The third issue in the Consumer Advocate's Request requests information about the Company's methodology for forecasting customer connections, including inputs and the accuracy of the connection forecast.

Newfoundland Power's forecast of customer connections forms part of the Company's Customer, Energy and Demand Forecast (the "CED Forecast") and is based on independent data from Signal49 Research (formerly the Conference Board of Canada), a third-party research organization, together with a multi-year average of the historical pattern between net customer increases and housing starts and completions. This approach combines the Signal49 Research outlook with the Company's historical data to calculate a forecast number of new housing connections.

Newfoundland Power engaged an expert, Daymark Energy Advisors ("Daymark") to complete a review of its CED Forecast methodology following the conclusion of the Company's *2025/2026 General Rate Application* (the "2025/2026 GRA") and in accordance with a Settlement Agreement filed with the Board.[6] Daymark completed a full assessment of the CED Forecast and determined that it is reasonable and that error rates were within acceptable levels.[7]

Newfoundland Power submits that it is not necessary to address issue three at a technical conference regarding the Application as the customer connections forecast has been recently reviewed as part of the 2025/2026 GRA and a recent expert report. Revisiting this issue at a technical conference amounts to a duplication of process and therefore, in the Company's view, is not consistent with the purpose of a technical conference.

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[6] The June 4, 2024 Settlement Agreement included Newfoundland Power, the Consumer Advocate, Hydro, the IBEW Local 1620, and the Board's hearing counsel. As part of the Settlement Agreement, the parties agreed that the Board should approve the CED Forecast as proposed in the 2025/2026 GRA and that Newfoundland Power would engage an expert to conduct a review of the CED Forecast methodology. The Board accepted the Settlement Agreement and the Daymark report was filed with the Board on December 23, 2025. See Board Order No. P.U. 3 (2025), page 12, line 37 to page 13, line 26.

[7] See Daymark *Newfoundland Power Inc.: Load Forecast Review*, December 19, 2025, page 1.

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Issue Four

The fourth issue in the Consumer Advocate's Request relates to Newfoundland Power's ability to provide an assessment of risk reduction or reliability gained per dollar of proposed expenditure.

The issue of risk quantification has been thoroughly reviewed as part of previous capital budget application proceedings.[8] Newfoundland Power has stated that it does not currently have the data or software necessary to provide calculations of risk mitigation or reliability improvement. This statement remains true for the Application. As provided in the Application, the Company expects its approach may evolve going forward as its asset management technology and practices mature.[9]

The Board has acknowledged that strict adherence to the Provisional Guidelines may not be possible, and that parties should make best efforts to respect the spirit and intent of the guidelines.[10] Accordingly, Newfoundland Power developed and uses a methodology to provide consistency in its assessment and communication of risks across projects and programs to comply with the spirit and intent of the Provisional Guidelines. The methodology uses a risk matrix where priority is determined based on assessments of probability and consequence.[11] As provided in the Application, Newfoundland Power's methodology was guided by a review of Canadian utility practice. The Company also observes that, as part of intervenor evidence filed by the Consumer Advocate relating to the *2024 Capital Budget Application*, the Consumer Advocate's consultant, Midgard Consulting Inc., reported that a reliability improvement per dollar spent metric was not reported by any Canadian utility reviewed by Midgard Consulting Inc.[12]

Newfoundland Power submits that it is not necessary to address issue four at a technical conference regarding the Application as the topic has been fully reviewed as part of the current and previous capital budget application proceedings and the Company has no further information to provide on the topic.

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8 See, for example, the responses to RFIs PUB-NP-003, CA-NP-039 and CA-NP-077 relating to the *2023 Capital Budget Application*, RFIs CA-NP-040, CA-NP-043, and CA-NP-045 relating to the *2024 Capital Budget Application*, RFIs CA-NP-020, CA-NP-037, CA-NP-041, and CA-NP-043 relating to the *2025 Capital Budget Application*, RFIs CA-NP-015, and CA-NP-016 relating to the *2026 Capital Budget Application*, and RFI CA-NP-014 relating to the *2027 Capital Budget Application*.

9 See the Application, Schedule B, page iii and the *2027 Capital Budget Overview*, Appendix C.

10 See Board correspondence dated December 20, 2021, regarding the *Provisional Capital Budget Application Guidelines*, page 2.

11 As detailed in Appendix C of the *2027 Capital Budget Overview*, prior to implementing the risk matrix methodology to comply with the spirit and intent of the Provisional Guidelines, Newfoundland Power conducted a review of Canadian utility practice to assess alternative options to evaluate risks in a manner that could produce a list identifying the relative priority of capital expenditures. The review determined that practices for assessing risks vary among utilities. The review of Canadian utility practice has been reviewed through the RFI process in the 2023, 2024 and 2025 capital budget applications.

12 See the *2024 Capital Budget Application*, *Report of Midgard Consulting Inc.,* dated September 21, 2023, page 31, footnote 39.

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Issue Five

Issue five of the Consumer Advocate relates to Newfoundland Power's capital budget performance and estimate accuracy.

Newfoundland Power's capital expenditures are subject to review and oversight as part of annual capital budget applications. The Company is required to file annual capital expenditure reports by April 1 of each year. The annual capital expenditure report is compliant with the criteria outlined in the Provisional Guidelines and includes the actual capital expenditures for projects and programs compared to budget, and detailed explanations where variances of more than 10% of approved expenditure and $100,000 or greater are recorded.[13] In addition, the annual capital expenditure report is filed with its annual capital budget application, allowing for additional exploration as part of the written process.

The Provisional Guidelines also outline when a more fulsome review of a utility's forecasting and capital budgeting processes may be warranted and the process for that review. Section V.C.3 of the Provisional Guidelines states that the annual capital expenditures report should address whether there should be changes to the utility's forecasting and capital budgeting process if the variance from the approved expenditure in any two consecutive years exceed 10%. Newfoundland Power's capital budget variances have not exceeded 10% in two consecutive years. Since 2013, the Company's annual capital budget variance has been within the 10% threshold, with the exception of 2024.[14] The specific drivers of the 2024 variance were detailed in the *2024 Capital Expenditure Report* as required by section V.C.3 of the Provisional Guidelines. The report also detailed Newfoundland Power's management of its 2024 capital expenditures as well as how it considers adjustments to its budgeting processes to reduce future capital budget variances.

Further, the performance of the Company's capital expenditures for programs that employ historical averages was also thoroughly reviewed as part of the *2025 Capital Budget Application*. Newfoundland Power provided a report on the use of the historical average methodology, including a jurisdictional scan and testing its methodology against alternative averaging techniques.[15] These reviews demonstrate the Company's practices and methodology for budget estimating are appropriate and are reviewed regularly as part of annual capital budget applications.

Newfoundland Power submits that is not necessary to address issue five at a technical conference regarding the Application as (i) the Provisional Guidelines stipulate when a more fulsome review may be necessary associated with utility capital forecasting and the process for that review, and (ii) the topic has been reviewed as part of recent capital budget application and capital expenditure report processes.

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13 See the Provisional Guidelines, page 7 of 18.

14 For a summary of capital budget variances from 2013 to 2022, see the response to RFI CA-NP-120 as part of the *2024 Capital Budget Application*.

15 See the *2025 Capital Budget Application*, report titled *Use of Historical Averages for Budget Estimation*.

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Issue Six

Issue six of the Consumer Advocate relates to the proposed *Replacement Street Lighting* program and the appropriateness of the historical average budget methodology.

The appropriateness of the historical average methodology was thoroughly reviewed as part of the *2025 Capital Budget Application*. In addition, this topic has been explored through the first round of RFIs on the Application.[16] As provided by Newfoundland Power, the scope of the *Replacement Street Lighting* program involves the correction of deficiencies other than those pertaining to the street light fixture. This includes replacement of pole brackets, overhead and underground wiring, dedicated street lighting poles that have failed in service, or any other repair not involving a street light fixture.[17] The Company has stated that it will continue to monitor actual expenditures under this program to determine if adjustments may be needed as it gains operational experience in addressing in-service failures of street lighting components. Since the *2023 Capital Budget Application* when the program was first proposed in its current scope under the Provisional Guidelines, the average cost variance associated with the *Replacement Street Lighting* program is less than 1%.

Newfoundland Power submits that is not necessary to address issue six at a technical conference regarding the Application as the topic is not complex and the written process allows for an effective means for the Consumer Advocate to further explore this topic.

Issue Seven

The seventh issue of the Consumer Advocate's Request relates to the assumptions and methods to calculate levelized value per kWh and cost of replacement production per kWh for the proposed *Lookout Brook Bridge Replacement* and *LBK-T1 Power Transformer Replacement* projects.[18]

The detailed economic evaluation of the Lookout Brook ("LBK") hydro plant was thoroughly reviewed as part of the *2024 Capital Budget Application*.[19] The lifecycle cost analysis provided with the report in the *2024 Capital Budget Application* outlined the assumptions and methods used to calculate the levelized value and cost of replacement production, and the project was approved by the Board in Order No. P.U. 2 (2024). The updated evaluation relied on the same methods outlined in the *2024 Capital Budget Application* with updated assumptions including most recent capital and operating cost estimates, most recent marginal costs from Hydro, and financial assumptions including forecasts for inflation. The updated evaluation has been explored through the first round of RFIs on the Application.[20]

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[16] See the response to RFI CA-NP-039.
[17] *Ibid.*
[18] For clarity, the replacement of the LBK-T1 transformer will form part of the power transformer replacement topic at the technical conference.
[19] See the *2024 Capital Budget Application*, report *4.1 Lookout Brook Hydro Plant Refurbishment,* Appendix A.
[20] See the response to RFI CA-NP-045.

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Newfoundland Power submits that is not necessary to address issue seven at a technical conference regarding the Application as the topic has been reviewed as part of the current and past capital budget application processes, including a Board decision in 2024. In the Company's view, the written process allows for an effective means for the Consumer Advocate to further explore this topic.

Issue Eight

The eighth issue of the Consumer Advocate's Request relates to the Company's hydro plants, their role in consideration of the planned closure of the Holyrood Thermal Generating Station and greater reliance on Muskrat Falls, and consideration of a fleet-level assessment of the Company's hydro plants.

The role and value of Newfoundland Power's hydro plants have been reviewed in prior regulatory proceedings and has been recognized by the Board. In its order approving the *2022 Capital Budget Application*, the Board stated:

> *Clearly Newfoundland Power's hydro production is of value to the Island Interconnected system and to customers in terms of reliability, reduced marginal energy costs and avoidance of the need for additional generation capacity. The continued role of Newfoundland Power's generation assets to the Island Interconnected system once supply is available from the Muskrat Falls project will be more certain after the Board's ongoing review of Hydro's Reliability and Resource Adequacy Study is completed. Until such time, and as long as the continued operation of Newfoundland Power's generation assets continues to be economic and provide least-cost power to customers, it would be premature to deny or defer capital expenditures which are shown to be necessary to maintain these assets.*[21]

Newfoundland Power operates and maintains its hydro plants in a manner that is consistent with the Company's obligation to provide service to customers that is at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.[22] To ensure hydro plants continue to meet this obligation, major plant refurbishment projects for the Company's hydro plants are accompanied by economic analyses which consider Hydro's forecasts of its marginal energy and capacity costs which account for the planned closure of the Holyrood Thermal Generating Station.

In addition, firm capacity and energy from Newfoundland Power's hydro plants are included in Hydro's *2024 Resource Adequacy Plan* which provides a long-term assessment of future capacity and energy requirements on the Island Interconnected System ("IIS").[23] In the

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[21] See Board Order No. P.U. 36 (2021) Reasons for Decision, page 10 lines 31 to 35 and page 11 lines 1 to 4.
[22] See the *Electrical Power Control Act, 1994*, 3(b)(iii).
[23] See Hydro's *2024 Resource Adequacy Plan,* Appendix B, page 28 of 57 and page 47 of 57; and Appendix C, page 14 of 163 and page 18 of 163.

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absence of Newfoundland Power's hydro plants, the need to construct new sources of electricity supply on the IIS would be greater than they are today.[24]

Newfoundland Power submits that is not necessary to address issue eight at a technical conference regarding the Application as it is a broad topic that has been reviewed and considered as part of past capital budget application processes, including a Board decision in 2021.

3.0 CONCLUSION

Newfoundland Power submits that a technical conference limited to the topics of the Company's replacement of its power transformers and distribution wooden structures and overhead conductor as specified by the Board as well as the *Portable Substation* project requested by the Consumer Advocate would provide for an effective technical conference process.

Newfoundland Power further submits that the remaining issues outlined in the Consumer Advocate's Request do not meet the requirements to be addressed at the technical conference, would detract from the effectiveness of the technical conference, and that those issues can be more efficiently explored as part of the written process.

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

Yours truly,

Dominic Foley

Dominic Foley
Legal Counsel

Enclosures

cc. Shirley Walsh
Newfoundland and Labrador Hydro

Adrienne Ding
O'Dea Earle

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24 Hydro's *2024 Resource Adequacy Plan* Reference Case results indicate that 525 MW of capacity is required by 2034. Hydro's *2025 Build Application* includes proposed capacity additions associated with the Bay d'Espoir Unit 8 and Avalon Combustion Turbine of 296 MW. See Hydro's letter *Re: Reliability and Resource Adequacy Study Review – Semi-Annual Update for the Second Quarter of 2026*, page 2.

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