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Via Email

Board of Commissioners of Public Utilities
120 Torbay Road, P.O. Box 2140
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Attention: Mike McNiven (Board Secretary)

Re: Newfoundland Power's 2027 Capital Budget Application – Final Submissions of the Consumer Advocate

On May 29, 2026, Newfoundland Power ("NP") submitted to the Board of Commissioners of Public Utilities (the "Board") its 2027 Capital Budget Application ("NP 2027 CBA" or "Application"). NP submitted an amended Application on July 27, 2026. The Application seeks Board approval for the following:¹

- a) proposed single-year 2027 capital expenditures in the amount of \$79,411,000 comprising projects and programs costing in excess of \$750,000;
- b) proposed single-year 2027 capital expenditures of \$9,723,000 comprising projects and programs costing \$750,000 and under;
- c) proposed multi-year projects commencing in 2027 with capital expenditures of \$9,551,000 in 2027, \$23,304,000 in 2028 and \$12,867,000 in 2029; and
- d) ongoing multi-year projects previously approved in Order No. P.U. 38 (2025) and Order No. P.U. 27 (2024) with capital expenditures of \$50,664,000 in 2027 and \$8,040,000 in 2028 (the "Previously Approved Multi-Year Projects").

The Application entails capital expenditures of \$193,560,000, consisting of \$134,856,000 in new expenditures in 2027, 2028 and 2029, and \$58,704,000 for projects previously approved by the Board. NP estimates that the proposed 2027 capital budget increases average rate base by approximately \$59.1 million

¹ Application, para. 2

and annual revenue requirement by approximately \$9.8 million, equivalent to a 1% increase in customer rates.²

These amounts do not include NP's supplemental capital budget application, filed on October 7, 2026, for the refurbishment of thermal generation facilities at Greenhill and Wesleyville over the next five years at a current forecast budget of about \$242 million from 2027 to 2031.³

The Application also requests that the Board fix NP's average rate base for 2025 in the amount of \$1,419,718,000.⁴

The Application process has included a presentation by NP, a technical conference, and two rounds of Requests for Information ("RFIs").

This submission of the Consumer Advocate consists of the following sections and subsections:

- 1.0 Overview
- 2.0 Context
- 3.0 Commentary on Regulatory Structure
 - 3.1 Capital Planning and Comparative Prioritization
 - 3.2 Financial Consequences and Capital Investment Decisions
 - 3.3 Accountability for Financial and Operational Benefits
- 4.0 Specific Programs and Projects
 - 4.1 Distribution Reliability Initiative
 - 4.2 Distribution Renewal
 - 4.3 Reconstruction
 - 4.4 Transformers
 - 4.5 Portable Substation
 - 4.6 Topsail and Victoria Hydro Plants
 - 4.7 Advanced Metering Infrastructure Motion
- 5.0 Concluding Remarks

1.0 Overview

Based on its review of the Application and the evidence filed in this proceeding, the Consumer Advocate makes the following recommendations to the Board:

- As part of its next CBA for 2028, NP should be directed to provide comparative optimization analysis reasonably achievable to strengthen portfolio-level comparisons of cost, risk and reliability, together with a plan and milestones for progressively developing measures of risk mitigation and reliability improvement relative to expenditures, recognizing that such an undertaking is expected to evolve over a number of years;

² Application, Schedule A; CA-NP-003, Attachment A

³ Supplemental Application, Appendix A

⁴ Application, para. 9(c)

- As part of its 2028 CBA, NP should be directed to incorporate prospective five-year cumulative financial and customer rate impacts into its capital planning and demonstrate how those financial implications informed material investment decisions;
- As part of its 2028 CBA, NP should be directed to establish and file a proposed process for assessing whether material financial savings and operational efficiencies relied upon in capital investment justifications are subsequently realized. This should include materiality criteria and a reporting timetable, with the results of completed assessments to be reported in NP's next GRA;
- As part of its 2028 CBA, NP should be directed to report on improvements implemented, supporting analysis available, outstanding work and specific implementation milestones.

Notwithstanding these broader recommendations, a number of the Application's proposed expenditures stand out as insufficiently justified at this time:

- NP's proposed \$1,922,000 to relocate and rebuild the 12-kilometre section of GLV-02;
- NP's proposed \$789,000 to refurbish Distribution Feeder GDL-02 Loop 10 and 20;
- NP's basis for its 2027 Reconstruction program budget request;
- NP's proposed \$9,933,000 procurement of an additional portable substation; and
- NP's inclusion of the Topsail and Victoria hydro plants in its rate base.

The Consumer Advocate also recommends the approval of the proposed transformer projects, but recommends revising the evidentiary process and requirements in the 2028 CBA.

The Consumer Advocate also maintains its motion of September 10, 2026, asking the Board to order an independent assessment of Advanced Metering Infrastructure ("AMI"). In addition to the above recommendations on the Application, the Consumer Advocate recommends that the Board grant the relief sought in the motion.

The background and rationale for these recommendations and issues are outlined in the following sections of the Consumer Advocate's Submissions.

2.0 Context

Several points of context are important to the Board's consideration of the Application:

- The scale of NP's Application for \$134,856,000 in new expenditures in 2027, 2028 and 2029, and the trajectory of its capital expenditures over the coming years, compound the rate pressures already facing NP's customers from the Muskrat Falls Project and from Newfoundland and Labrador Hydro's ("Hydro") proposed spending of potentially billions of dollars on new capacity for the Island Interconnected System ("IIS"). Together, these pressures place an increasingly overwhelming burden on NP's customers.

The provincial government's rate mitigation plan imposes annual wholesale increases on NP that raise NP's domestic customer rates by 2.25% a year. However, that is just a starting point for increases. Hydro's 2024 Resource Adequacy Plan and related 2025 Build Application also propose billions of dollars in new capital projects for the IIS, and it is not known whether the rate mitigation

plan would cover them. If not, IIS customers, most of whom are NP customers, may face significant rate increases as NP passes these Hydro-related costs on to its customers. In addition, NP has its own operating and capital costs, which are not covered by rate mitigation and will have to be covered by customer rates. Thus, despite rate mitigation, customer rates have already increased considerably.

- NP's rates are rising much faster than inflation. All-in rates for NP's Domestic customer class increased 24.5% from 2022 through 2026 and are forecast to rise another 6.3% in 2027.⁵ Over the same period, Canada's CPI inflation is 11.7% (2026 forecast). CPI inflation is forecast at 1.7% in 2027,⁶ but domestic customer rates will rise by at least 2.25% under the rate mitigation plan. NP's expenditures will add pressure, and after 2027 planned capital expenditures by Hydro and NP could lead to rate shocks.
- Capital expenditure adds to rate base, and therefore to customer costs, which rise further with any increase in NP's approved rate of return. NP's rate base has grown quickly. Annual growth rates for 2023 to 2027F⁷ are:

2023	7.34%
2024	3.35%
2025	6.51%
2026F	3.98%
2027F	3.96%

NP plans to grow its capital budgets over the next five years. Its 2027–2031 Capital Plan forecasts average annual investment of approximately \$207 million (\$1.035 billion over five years), up approximately 20% from \$172 million annually in the 2026–2030 plan. NP attributes approximately 61% of the increase to the Wesleyville and Greenhill thermal refurbishments. Excluding them, the increase is approximately 9%, with inflation explaining about two-thirds of the remaining increase.⁸ NP plans to increase capital expenditure from \$212.1 million in 2027F to \$281.3 million in 2031F.⁹ Unless these capital expenditures reduce NP's operating costs, the burden on consumers will continue to grow.

Because NP earns a return on the rate base it builds, the Company has a financial incentive to grow its capital budgets. Customers ultimately pay these returns, which is why these budgets warrant close scrutiny. For context, NP's capital budgets are expected to increase its after-tax return on equity by \$2.3 million in 2027, \$2.2 million in 2028, \$2.4 million in 2029, \$3.2 million in 2030 and \$7.2 million in 2031.¹⁰

- NP's stable reliability record suggests that increases in capital spending cannot be readily justified on a reliability deficiency basis. NP has reported that the frequency and duration of customer

⁵ CA-NP-008, Attachment A

⁶ CA-NP-050, Attachment A

⁷ CA-NP-002, Attachment 1

⁸ CA-NP-016

⁹ 2027–2031 Capital Plan, Appendix A, p. 1

¹⁰ CA-NP-073

outages have been reasonably stable over the last decade under normal operating conditions.¹¹ For the last decade, NP has provided service at a superior level of reliability relative to other Electricity Canada Region 2 utilities. NP's average duration of customer outages has been approximately 40% better than the Canadian average and the average frequency of customer outages has been consistent with the Canadian average.¹²

3.0 Commentary on Regulatory Structure

The Board has accepted NP's timetable to file its strategic plan by the end of 2026 and has left further steps for consideration following that filing. The additional information requested here should draw on that plan and existing asset-management work wherever they address the identified evidentiary gaps. NP should identify outstanding work and implementation milestones. These requests concern supporting information in NP's next capital budget application; broader revisions to the filing Guidelines remain a matter for the separate review process.

3.1 Capital Planning and Comparative Prioritization

NP currently employs capital planning processes incorporating asset condition, engineering judgment, risk assessments and consideration of alternatives. NP states that its 2027 Capital Budget identifies seven projects deferred, one previously deferred project reinstated, one advanced and two modified. NP also provides a prioritized list using a probability-and-consequence risk matrix, with scores from 1 to 25.¹³

The Board's Provisional Capital Budget Application Guidelines contemplate prioritization of certain investment classifications using risk mitigated per dollar spent and reliability improvement per dollar spent. NP acknowledges that it currently lacks the software or data required to calculate these measures and instead uses its risk matrix. NP anticipates assessing options to obtain the required data following completion of its Asset Management Technology Replacement project.¹⁴

NP has established meaningful processes for identifying and assessing individual capital projects. However, the remaining evidentiary concern is what those processes demonstrate about decisions across the capital program as a whole. The issue is not whether NP undertakes prioritization, or whether particular investments address legitimate operational requirements. Rather, it is whether the 2027 CBA demonstrates how NP chooses among competing investments to arrive at an appropriate program, in aggregate. Project-level justification does not, on its own, establish that competing investments have been compared on a sufficiently consistent cost-and-risk basis; a forecast of rate impacts does not, on its own, establish that those impacts informed investment choices; and projected benefits do not, on their own, establish whether those benefits were ultimately achieved. Capital optimization does not necessarily mean minimizing expenditure. It means selecting a combination of investments that reasonably balances lifecycle cost, risk,

¹¹ 2027 Capital Budget Overview, p. 6

¹² 2027 Capital Budget Overview, p. 8

¹³ Application, Capital Budget Overview, p. 5; Appendix C, Table C-2

¹⁴ Application, Appendix C, discussion of the Board's Provisional Capital Budget Application Guidelines and prioritization measures

reliability and customer impacts. A project may be justified on its own merits without necessarily being the most cost-effective use of capital relative to other needs.

NP's adjustments demonstrate active planning. However, CA-NP-089 indicates that prioritization principally occurs within asset classes, the published list does not rank projects sharing a risk score, and the consequences of a one-year deferral have not been quantified. NP also declined to provide reduced-budget scenarios on the basis that it considers all proposed projects necessary. These responses leave unresolved how comparisons across competing investments determine the overall composition and timing of the capital program.

The following observations assess NP's current capital budgeting framework with respect to comparative choices:

- Comparative cost-effectiveness: NP's risk matrix provides a structured basis for comparing the assessed probability and consequences of not proceeding with investments. It does not, however, quantify the incremental risk reduction or reliability improvement expected from each investment relative to its cost. The matrix therefore does not, by itself, establish whether alternative combinations, scopes or timing of expenditures could achieve comparable outcomes at lower overall cost. As an example, the Portable Substation project and Distribution Reliability Initiative each receive a priority score of 20, despite differing purposes and total costs of \$9.933 million and \$2.940 million, respectively. Additionally, the Distribution Feeder GDL-02 Loop 10 and 20 Refurbishment receives a score of 10, notwithstanding documented failures of underground primary conductors serving 172 customers. These examples do not demonstrate that any score is incorrect or that a project is unjustified. They illustrate that the risk score alone does not establish comparative cost-effectiveness.¹⁵
- Demonstrated influence on portfolio decisions: The projects advanced, deferred or modified establish that NP reviews and adjusts its plan. What is unclear is how competing investment requirements are evaluated against one another, and how such comparisons influence the aggregate level, composition and timing of expenditures. NP should demonstrate not only why projects are proposed, but also how comparative assessments affect material decisions to proceed, stage, modify or defer.
- Transparency: NP acknowledged that it does not maintain separate risk-score derivation workpapers; relevant quantitative and qualitative information is distributed across project descriptions and reports. Engineering judgment remains appropriate, but the supporting record should permit a transparent understanding of material assumptions and trade-offs.¹⁶

These distinctions matter in assessing the appropriateness of the current 2027 CBA and future CBAs. The limitations identified do not establish that individual projects are unjustified or imprudent. Rather, they constrain the extent to which the evidence demonstrates that the proposed capital program, viewed in aggregate, reflects an appropriately optimized allocation of resources among competing investment needs.

¹⁵ Application, Appendix C, Table C-2; Schedule B, Distribution Reliability Initiative, pp. 2–5; Distribution Feeder GDL-02 Loop 10 and 20 Refurbishment, pp. 32–35; Portable Substation, pp. 68–71

¹⁶ CA-NP-014

More explicit comparative analysis would allow the Board to understand the trade-offs underlying material portfolio choices.

Comparable regulatory consideration of these issues that provides useful context vis-à-vis other Canadian jurisdictions is reflected in Manitoba Public Utilities Board Orders 152/19 and 43/26 and going back even to Order 49/95 as well as BCUC (Order G-246-20) with electric and natural gas utilities that have implemented or are in the process of implementing formal portfolio optimization processes. In the latter decision, the BCUC recognized that individual capital projects may appear reasonable when considered in isolation, while the overall level of capital spending and the process used to select investments remain appropriate subjects of regulatory scrutiny.¹⁷

Where technically feasible, comparisons should include demand-management or customer-side options capable of meeting the same service requirement, assessed using dependable peak contribution, availability and total cost. NP's existing conservation and load-management activities provide a starting point. Its 2028 filing should identify relevant milestones for work with Hydro and explain how available results inform investment forecasts, including limitations associated with sustained peaks or rebound. Ordinal risk scores should not be treated as measured risk reduction per dollar.

RECOMMENDATION 1 AND 2: Direct NP to file with its 2028 Capital Budget Application:

1. A comparative investment analysis addressing material choices among competing investments across asset classes, linked projects and alternatives within projects. The analysis should compare feasible capital, operating or service solutions - including demand-management and customer-side options where technically feasible - and staged work on a common lifecycle customer-cost basis, taking account of risk, reliability and environmental constraints. Proportionate supporting documentation should explain assumptions, reasons for screening out alternatives, trade-offs and how comparisons influenced decisions, including decisions to retain the original scope or timing.
2. An implementation plan identifying costs, responsibilities and milestones for progressively developing measures of incremental risk reduction or service improvement relative to expenditure. The plan should address improvements to condition, failure and maintenance-cost information needed to support these comparisons, drawing on NP's asset-management technology work where applicable.

3.2 Financial Consequences and Capital Investment Decisions

NP prepared a pro forma assessment of the 2027 Capital Budget's annual revenue requirement impact and asserted that Finance participates in the capital planning process. NP considers individual projects through engineering, risk, alternatives and cost assessments and indicates that justified investments should not be altered solely on the basis of their customer rate impacts. NP also asserts that detailed multi-year revenue requirement assessments are appropriately filed through general rate applications.¹⁸

¹⁷ Manitoba Public Utilities Board, Order 152/19, pp. 53–54; Order 43/26, pp. 112–116; British Columbia Utilities Commission, Order G-246-20, Section 4.4.

¹⁸ CA-NP-003; CA-NP-076; CA-NP-080

The financial question is not whether NP calculates the rate impacts of capital investment; it does. Rather, it is whether those prospective impacts inform choices while there remains meaningful discretion over the scope, timing or sequencing of investments. This distinction matters because identifying an investment need and determining when and how to meet it are related but not identical decisions. Considering cumulative financial consequences alongside risk and reliability may identify reasonable alternatives that would not be apparent from a project-by-project assessment alone. It does not imply that necessary safety or reliability work should be deferred solely to restrain rates.

Customer affordability is an important consideration in this assessment, particularly in the context of the substantial costs associated with the Muskrat Falls Project and with the significant capital expenditures forecast over the next five years and their cumulative effect on customer rates. While necessary safety and reliability requirements must be maintained, affordability should inform the evaluation of reasonable alternatives concerning the scope, timing and sequencing of capital investments. Otherwise, affordability risks becoming a consideration only after investment decisions have been made, rather than a factor informing those decisions.

A review of the evidentiary record raises two related questions about how financial information enters NP's choices as follows:

- i. Influence on investment decisions: When asked for an example where financial or revenue requirement considerations affected the timing, scope or prioritization of a proposed investment as part of the RFI process, NP referred to its general planning process rather than identifying a specific example. As such it is not possible to understand the influence that the financial impacts have on the choice of capital investments;¹⁹
- ii. Cumulative financial consequences: NP's 2027–2031 Capital Plan forecasts average annual investment of approximately \$207 million, or approximately \$1.035 billion over five years, compared with \$172 million annually (an increase of approximately 20%) in the preceding 2026–2030 plan. NP attributes approximately 61% of this increase to higher planned Wesleyville and Greenhill thermal refurbishments. Excluding those refurbishments, the increase is approximately 9%, with inflation explaining about two-thirds of the remaining increase. These explanations provide important context but do not replace consideration of the cumulative financial consequences of planned investment.²⁰

The financial assessment provided in this proceeding estimates a \$9.8 million annual revenue requirement impact for the proposed 2027 budget; NP did not provide corresponding year-by-year cumulative rate base and revenue requirement estimates for the five-year plan in response to CA-NP-076, instead referring to detailed assessments undertaken in general rate applications. This results in insufficient evidence of how the cumulative financial consequences of the capital plan influence investment choices before commitments are made. While a general rate application provides an appropriate forum for detailed revenue requirement forecasts, it does not necessarily demonstrate how prospective financial consequences influenced capital investment decisions when alternatives concerning scope, timing and sequencing remained available. A general rate

¹⁹ CA-NP-075; CA-NP-080

²⁰ CA-NP-016

application may also result in a review of the financial implications of investments in totality only after the expenditures have already been made.²¹

Figure 1: Scale of Planned Capital Investment and Financial Assessment²²

	2027 Capital Plan	2027-2031 Capital Plan
Proposed	\$149.349 million	Approx. \$1.035 billion
Pro Forma Rate Overall Rate Impact	\$9.8 million or Approx 1%	???

These findings support a prospective planning requirement, rather than a requirement to justify capital decisions solely by their near-term rate effects. Necessary safety and reliability investments should not be deferred simply to constrain customer rates. Nevertheless, where there are reasonable choices about scope, timing or sequencing, their financial implications should be considered alongside operational considerations before the choices are settled. The Board would then have a clearer basis to assess whether the proposed capital program reflects informed trade-offs, rather than receiving only the financial consequences of an already selected program.

RECOMMENDATION 3: Direct NP to file with its 2028 Capital Budget Application an assessment of the annual and cumulative rate-base, revenue-requirement and customer-rate effects of its five-year capital plan, reconciling committed, currently requested and supplemental expenditures. The assessment should compare feasible expenditure profiles and explain how financial consequences informed material decisions on scope, timing and sequencing, including decisions to retain the original proposal. Where retirement timing differs materially between alternatives, NP should explain depreciation-reserve, future depreciation, salvage and removal effects, distinguishing customer revenue effects from incremental lifecycle costs without double counting historical investment.

3.3 Accountability for Financial and Operational Benefits

NP identifies financial savings and operational efficiencies among the expected benefits of certain investments. It states that associated savings are reflected in subsequent general rate application operating forecasts but confirms that it does not undertake the detailed after-the-fact benefit analyses requested in CA-NP-079.

The relevance of benefit assessment follows from the role anticipated benefits play in investment approval. If projected savings or efficiencies materially support the case for committing capital, subsequent information about whether they were achieved tests the assumptions used in that decision in order to improve the assessment of similar proposals and strengthen accountability. Without a comparison of anticipated and realized benefits, it is difficult to distinguish a forecast that proved reliable from one that did not identify material variances or carry those lessons into future investment planning. The objective is to close the feedback loop for benefits material to the investment justification.

²¹ CA-NP-003; CA-NP-076

²² Figure note: The five-year total is approximate (five times the reported \$207 million average). The 2027 pro forma impact is not a forecast of the cumulative five-year impact. Sources: 2027–2031 Capital Plan; CA-NP-003, Attachment A; CA-NP-016; CA-NP-076.

NP refers to the Board’s recognition that utility decisions should be evaluated based on information available when those decisions were made. However, verification of realized benefits is distinct from retrospectively reassessing prudence. Its purpose is to improve accountability and future forecasts, not to reverse an earlier approval using hindsight.²³

RECOMMENDATION 4: Direct NP to file a methodology, materiality threshold and timetable for comparing expected and realized benefits material to investment justification. Distinguish cash reductions, avoided expenditure and redeployed staff time; include recurring costs and relevant reliability or operational outcomes. Explain material variances, how lessons inform subsequent forecasts and choices, and treatment in operating forecasts and the next general rate application.

4.0 Specific Programs and Projects

For the reasons set out in Section 3, the ability of the Board and intervenors to properly assess the necessity of NP’s proposals is limited. With that caveat, the Consumer Advocate has reviewed the specific programs and projects in the Application and identified programs and projects for which there is not yet sufficient information to determine approval, and the Consumer Advocate recommends that the Board either reserve its decision pending additional filings by NP or deny the proposal in the current Application.

4.1 Distribution Reliability Initiative

This Initiative targets the worst performing feeders on NP’s distribution system. The Application requests funding to rebuild and relocate two sections of the Glovertown Substation distribution feeder GLV-02. The associated cost is \$871,000 in 2027 and \$2,069,000 in 2028, for a total of \$2,940,000.²⁴

The two sections are independent branches of the feeder, so a change in the reliability of one does not affect customers served by the other.²⁵ One section is 12 kilometres long and serves 180 customers; the other is 5 kilometres long and serves 1,100.²⁶

Each section’s reliability performance has been poor. For the 2021–2025 period the 12-kilometre section’s SAIFI and SAIDI are 6.26 and 14.8, respectively, while the corresponding figures for the other section are 5.73 and 12.6.²⁷ The five-year average Customer Minutes of Outage for the 12-kilometre section is 162,619 minutes, while the figure for the 5-kilometre section is much higher, at 838,345. Adjusted for the number of customers, however, those averages are also similar: 15.1 hours a year per customer on the 12-kilometre section and 12.7 hours per customer on the other.²⁸

²³ CA-NP-079

²⁴ Application, Schedule B, p. 2

²⁵ CA-NP-028h

²⁶ Report 1.1, Distribution Reliability Initiative, pp. 7 and 8

²⁷ Report 1.1 (Table 2)

²⁸ Dividing by the number of customers and expressing in hours: $162,619/180 = 903.4$ minutes or 15.1 hours for the 12-kilometre section, and $838,345/1,100 = 762.1$ minutes or 12.7 hours for customers on the 5-kilometre section.

The costs of relocating and rebuilding the two sections are very different. The two-year capital cost of the 5-kilometre section is \$1,018,000, whereas the 12-kilometre section would cost almost double, at \$1,922,000. The difference is far more striking per customer: \$925 per customer for the 5-kilometre section, but almost 12 times higher, at \$10,678 per customer, for the 12-kilometre section.²⁹ A cost of \$10,678 per customer is a clear signal to consider other alternatives. Notably, NP was unable to answer questions about the cost of maintenance and repair relative to the cost of relocating and rebuilding the line³⁰ and about the number of complaints received from customers served by GLV-02.³¹

The feeder line was built in the 1960s, both sections are difficult to access, and the 12-kilometre section in particular has conductor issues that require disconnecting all 180 customers for any repairs.³² However, equipment failure is not the leading cause of outages on the 12-kilometre section: 84% of outages on that section over 2020–2026 were due to danger tree contacts and just 10% due to equipment failure.^{33 34}

NP points out that in August of this year, all 180 customers on the 12-kilometre section were without power due to a single outage caused by a broken pole in an off-road remote area. The outage lasted 26 hours: 16 hours to locate the problem and 10 hours to complete the repair.³⁵ Accessing some areas along the line may be challenging. However, building the line required construction access, and NP has decades of experience accessing and repairing it. Current technology may also make access less problematic (drones, cameras or line sensors may be effective). It is also not clear whether effective or dedicated vegetation management may alleviate the outage incidents along that section.

The high per-customer cost of relocating and rebuilding the 12 kilometres of line should have triggered consideration of a wider range of alternatives to improve reliability. These might have included continued repairs and maintenance as needed, improved monitoring to allow faster repair, strategic replacement of equipment and poles, and behind-the-meter measures.

NP has not shown that the 12-kilometre section of GLV-02 is justified at this time. The Consumer Advocate does not oppose the rebuild and relocation of the 5-kilometre section of GLV-02.

RECOMMENDATION 5: Deny NP’s request for \$1,922,000 to relocate and rebuild the 12-kilometre section of GLV-02 at this time.

4.2 Distribution Renewal

This is a project involving refurbishment of underground distribution assets along Loop 10 and Loop 20 of feeder GDL-02. The requested capital cost is \$789,000 for 2027.³⁶ According to the Application, Loop 10 serves 92 residential customers and Loop 20 serves 80, and the loops were installed in 1975 and 1976,

²⁹ CA-NP-065, Table 1

³⁰ CA-NP-027c

³¹ CA-NP-027a

³² Report 1.1, p. 9

³³ The corresponding statistic for the 5-kilometre section is 48%.

³⁴ NLH-NP-006, Table 1

³⁵ CA-NP-065

³⁶ Application, Schedule B, p. 32

respectively.³⁷ NP indicates that an engineering assessment had determined that these underground assets have reached the end of useful service life.

Loop 10 has had seven primary conductor failures since 2010 but only two after 2014, namely, one in 2022 and one in 2024. Loop 20 has had only three such failures since 2010; one in each of 2014, 2020 and 2023.³⁸ It does not appear that either the loss of service to affected customers or the time to repair indicates any risk of imminent permanent failure.³⁹ However, NP is unable to provide maintenance and repair cost for the individual loops or the distribution feeder.⁴⁰

NP's risk assessment summary for this project indicates that the "*Consequence*" is "*minor*".⁴¹ As well, there has not been a primary conductor failure on Loop 20 since the one in 2023 and none on Loop 10 since the one in 2024. While there was a 13-hour outage in August 2024 involving three damaged cables, repairs have been successful to date. There is no evidence that repairs would not be possible or would be prohibitively expensive if there is a failure in the future. There is no compelling evidence that either loop is likely to permanently fail in the near future, there is no upward trend in failure incidents, and no indication that refurbishment at this time is more economic than repairing as needed.

Based on the available record, NP has not provided sufficient information to show that completion of this project is necessary at this time.

RECOMMENDATION 6: Deny NP's request for \$789,000 to refurbish Distribution Feeder GDL-02 Loop 10 and 20 at this time.

4.3 Reconstruction

The Application requests \$8,319,000 to fund the Reconstruction program for 2027. The budget request for this program is based on a historical average, namely the most recent five years, adjusted for inflation.

Schedule B, page 39, Table 1, provides the 2022 to 2026F expenditures on this program in nominal and adjusted terms. They are:

	2022	2023	2024	2025	2026F
Actual (Nominal \$)	\$6,179,000	\$7,622,000	\$8,633,000	\$8,488,000	\$7,674,000
Adjusted (2026 \$)	\$6,888,000	\$8,416,000	\$8,571,000	\$8,763,000	\$7,674,000

It is worthwhile to also note what each past budget application requested for these years. They are as follows:⁴²

	2022	2023	2024	2025	2026F
Budget (Nominal \$)	\$5,902,000	\$6,699,000	\$6,953,000	\$7,425,000	\$7,674,000

³⁷ Application, Schedule B, pp. 33–34

³⁸ CA-NP-032

³⁹ CA-NP-032

⁴⁰ CA-NP-032d

⁴¹ Application, Schedule B, Table 2, p. 35

⁴² Sources for the actual budget requests are the 2022, 2023, 2024 and 2025 Capital Expenditure Reports for the respective years.

Comparing the 2022 Budget amount of \$5,902,000 to the actual amount of \$6,179,000, the excess over budget is \$277,000, or approximately 4.7%. For 2023, the excess is substantially more, at \$923,000, or about 13.8%. For 2024, the excess is \$1,680,000, or 24.1% and for 2025, the excess is \$1,063,000 or 14.3%.

The 2023 Capital Expenditure Report explained that the higher-than-budget expenditure in 2023 was attributed to major events late in the year that resulted in additional work being required.⁴³ The 2024 Capital Expenditure Report explained that year's \$1,680,000 excess as *"largely due to additional work being required as a result of major events in 2024, as well as increased replacement of rusty transformers."*⁴⁴ The 2025 Capital Expenditure Report indicated that the \$1,063,000 expenditure over budget was *"largely due to major events in 2025 resulting in the requirement for additional work."*⁴⁵

The run of major events in recent years appears to have made the historical average a less reliable basis for forecasting. It is evident that NP has made some adjustments to take those major events into account. Specifically, in Note 2 to Table 1,⁴⁶ the Adjusted figure for 2022 excluded \$314,000 due to two hurricanes and a winter storm. Also, Note 3 to Table 1 states that \$601,000 related to a landslide and storm was excluded from the 2024 Adjusted figure. However, there is no indication of exclusions for the major events in 2023 and 2025. This suggests an inconsistency in the treatment of major events in the calculation of the historical average.

The 2027 Reconstruction budget could be based on the 2026 forecast expenditure rather than on the five-year average. The 2026 Capital Expenditure Status Report indicates that the 2026 expenditure on the Reconstruction program is, to date, on budget so the 2026F figure of \$7,674,000 can serve as a reasonable base, with appropriate escalation for inflation, for determining a 2027 budget for the program.

Alternatively, the Board could require NP to reconcile its event exclusions, explain the treatment of 2023 and 2025 costs and recalculate the 2027 requirement consistently. Recurring weather costs belong in a reasonable forecast and demonstrably exceptional costs should receive consistent treatment. Any reduction should follow that calculation.

RECOMMENDATION 7: Direct the use of the 2026 CBA figure of \$7,674,000 as the basis for its 2027 Reconstruction program budget (escalated by using the GDP deflator for non-labour costs and NP's internal inflation rate for labour costs). Alternatively, reserve approval of the program pending the appropriate reconciliations from NP (updated 2026 outturn forecasts, consistent adjustments and recalculated 2027 requirements) and any applicable comments and replies from the parties.

4.4 Transformers

⁴³ 2023 Capital Expenditure Report, Appendix A, p. 5

⁴⁴ 2024 Capital Expenditure Report, Appendix A, p. 3

⁴⁵ 2025 Capital Expenditure Report, Appendix A, p. 3 of 7

⁴⁶ Application, Schedule B, p. 39

NP seeks approval for four power-transformer replacement projects at Laurentian (LAU-T1), Harmon (HAR-T1), Ridge Road (RRD-T3) and Lookout Brook (LBK-T1), at a combined cost of \$11.218 million over 2027–2029. Laurentian is scheduled for completion in 2028 and the remaining replacements in 2029.

The transformer survivorship forecast is useful for long-term planning but does not establish a mandatory replacement age or pace. The current fleet is aging and NP confirms that approximately three retirements annually are expected. The selected 55-R3 curve describes retirement experience and an estimated average service life of 55 years, but it is not necessarily predictive of the failure of any individual transformer and many of the transformers may have useful lives far exceeding 55 years. As transformers are expensive – especially at present – the trade-off between replacing transformers too early, and missing extended useful life, and running them to failure and not having sufficient replacements represents a significant capital budget risk for NP in the coming years.

It is essential that NP keep the survivor curve analysis up-to-date. The 2028 CBA should reconcile the forecast with updated retirements and units still in service, identify retirement causes and data gaps, and evaluate the survivorship assumptions. It should compare feasible combinations of condition-based replacement, compatible spares, portable support, monitoring and selective deferral over a common period using lifecycle costs. It should include deployment and replenishment times, concurrent failures, outage consequences and remaining service life. NP acknowledges that it did not separately assess alternatives to the overall strategy. Individual project assessments do not establish the relative cost of these interacting combinations. Necessary replacements remain assessable on their condition and risk evidence.

The four proposed transformer replacements each receive the same risk score of 16, despite differences in customer exposure, offloading capability and compatible spare availability. The Consumer Advocate does not take issue with the need to replace these transformers, but these broad ratings do not establish relative priority or the appropriate replacement sequence. The 2028 CBA should explain the evidence and time horizon supporting each rating, how condition and recovery options distinguish scored units, and how these considerations determine replacement timing. It should also identify the additional risk associated with feasible deferral and the risk reduction expected from replacement. Risk scores should not be treated as measured risk reduction per dollar.

RECOMMENDATION 8: Approve the four proposed transformer replacement projects on their individual condition and risk evidence. Direct NP to file with its 2028 CBA an updated survivorship assessment, an explanation of replacement priorities among equally scored units, and the combined replacement, spare and portable-support analysis described above.

4.5 Portable Substation

The Application requests funding to purchase a portable substation designed to temporarily replace the functionality of a substation. NP indicates that procurement of an additional portable substation is required to support system reliability over the long term at a cost of \$990,000 in 2027, \$3,894,000 in 2028 and \$5,049,000 in 2029 for a total of \$9,933,000.

NP states that it relies on portable substations as a critical component of emergency response, substation maintenance, and substation capital project execution. NP further states that portable substations enable it

to maintain service to customers when substation equipment such as power transformers are removed from service for planned maintenance, capital projects, or following in-service equipment failures.⁴⁷ It seems that the project justification is based on reliability and, more specifically, improvement in the duration of major outages. As portable substations are primarily an emergency response mechanism (they are utilized after an outage occurs), they do not impact the frequency of outages.

NP states that *“The frequency and duration of customer outages has been reasonably stable over the last decade under normal operating conditions.”*⁴⁸ Further, *“The Company’s average duration of customer outages has been approximately 40% better than the Canadian average.”*⁴⁹ This project at a cost of \$9.9 million suggests that there is a significant cost associated with maintaining, or improving, a SAIDI (System Average Interruption Duration Index) reliability performance that is 40% better than the Canadian average, particularly considering that NP has not submitted evidence that customers have indicated a willingness to pay for this level of reliability performance.⁵⁰

NP currently has four portable substations, and has access to one portable substation from Newfoundland and Labrador Hydro through an equipment sharing agreement. NP states *“Newfoundland Power has not identified any situation between 2021 and 2025 where planned work or emergency response could not proceed because a technically compatible portable substation was unavailable. There were an estimated five days in total during which all portable substations were energized and in service. The Company’s existing fleet of four portable substations has historically been adequate to meet operational requirements and to maintain emergency response capability.”*⁵¹

NP suggests that an additional portable substation is needed because maintenance requirements are increasing. However, *“Newfoundland Power does not intend to increase the pace of planned power transformer replacements beyond approximately three replacements per year over the 2027-2031 forecast period.”*⁵² Transformers are the key component of a substation.

NP’s proposed HAR-T1 replacement project provides a useful example. NP states *“Newfoundland Power has three portable substations and two spare power transformers that can be used for emergency response to an in-service failure of HAR-T1.”*⁵³ Notwithstanding this level of emergency support, NP proposes to replace HAR-T1 now rather than, for example, three years from now, and has not quantified the risk of failure associated with deferral. The record does not show that NP considered ways of moderating capital expenditures and their rate impact, notwithstanding a SAIDI reliability performance that is 40% better than the Canadian average and the absence of evidence that customers are willing to pay for this level of reliability.

⁴⁷ Application, Schedule B, p. 69

⁴⁸ 2027 Capital Budget Overview, p. 6

⁴⁹ 2027 Capital Budget Overview, p. 8

⁵⁰ Outages owing to “significant events” are excluded from outage statistics because they have a very low probability of occurrence and it would be prohibitively expensive to design the power system to withstand such an event. Significant events generally relate to extreme weather - events that fall outside the normal planning process; e.g., a 1 in 500-year ice storm. It is difficult to fathom how a transformer failure that was not brought on by severe weather would qualify as a “significant event”.

⁵¹ NLH-NP-002

⁵² NLH-NP-001a

⁵³ Application, Section 2.2 – Substation Power Transformer Strategy, Appendix C-4

NP states in reference to integrated power transformer strategy *“The strategy is intended to balance reliability, risk, and cost by reducing the probability of failures through planned replacement while maintaining sufficient emergency response resources to address failures that do occur.”*⁵⁴ However, *“Newfoundland Power has not quantified the probability of insufficient emergency response capability.”*⁵⁵ The historical record does not demonstrate a need for an additional portable substation, and NP has not quantified the expected reliability improvement, the risk of failure, or the associated cost of a failure. Additional portable substations would likely improve emergency response and reliability, but NP has not shown by how much, or at what point further units would yield diminishing returns.

On the current record, NP has not justified the completion of this project at this time.

RECOMMENDATION 9: Deny NP’s proposed \$9,933,000 procurement of an additional portable substation at this time.

4.6 Topsail and Victoria Hydro Plants

The 2027 CBA does not request specific funding for NP’s Topsail or Victoria hydro plants, but does request approval of NP’s 2025 average rate base.⁵⁶

Neither plant generated any electricity in the first six months of 2026.⁵⁷ ⁵⁸ Victoria did not generate any electricity in 2024 or 2025, and only 38 MWh in 2023; it can no longer operate because of a penstock failure and the subsequent removal of the failed penstock.⁵⁹ The Topsail plant has generated very little electricity since 2020, with none in 2020, 2021 and 2024.⁶⁰ There was very little generation in 2025, and that limited amount was for testing a repair attempt that failed.⁶¹ Like Victoria, it provided no benefit to consumers in 2025.

Over 2020–2025, approximately \$643,000 was spent in capital expenditures on the Victoria plant, principally \$561,000 in 2021.⁶² Over the same period, capital expenditures on the Topsail plant were substantially more, at \$17.8 million.⁶³

The Application asks the Board to approve NP’s 2025 average rate base. In 2025, and in 2026 to date, the Topsail and Victoria plants provided no benefit to consumers, and they provided little to none in the preceding four years. There is no return-to-operations date for either.

RECOMMENDATION 10: The Board should direct NP to remove any amount that may be included in its proposed 2025 average rate base related to the Topsail and Victoria hydro plants.

⁵⁴ PUB-NP-002a

⁵⁵ CA-NP-041b

⁵⁶ Application, para. 9(c)

⁵⁷ Note: It is possible that some spending on these plants in 2027 may be made under the Hydro Plant Replacements Due to In-Service Failures program

⁵⁸ CA-NP-009, Attachment A, Table 2

⁵⁹ CA-NP-051

⁶⁰ CA-NP-052, Attachment A

⁶¹ CA-NP-052

⁶² CA-NP-051, Attachment B

⁶³ CA-NP-052, Attachment B

4.7 Advanced Metering Infrastructure Motion

The Consumer Advocate maintains its motion of September 10, 2026, asking the Board to order an independent assessment of AMI.

RECOMMENDATION 11: The Consumer Advocate recommends that the Board grant the relief sought in the motion.

5.0 Concluding Remarks

The Consumer Advocate recognizes the need for continued investment to maintain safe, adequate and reliable service. However, the cumulative pressure on customer rates requires clear evidence that proposed expenditures are appropriately scoped, timed and cost-effective.

The Board should direct Newfoundland Power, beginning with its 2028 Capital Budget Application, to strengthen comparisons among competing investments, demonstrate how cumulative financial impacts inform investment decisions, and establish a process for assessing whether material savings and efficiencies are realized. These improvements should have specific deliverables and implementation milestones.

For the current Application, the Consumer Advocate requests the project-specific determinations set out in Section 4, including denial of the identified GLV-02, GDL-02 and portable-substation expenditures, reconciliation of the Reconstruction budget, approval of the four transformer replacements with additional reporting, and the requested adjustment concerning Topsail and Victoria. The Consumer Advocate also maintains its motion for an independent assessment of Advanced Metering Infrastructure.

Should you have any questions, please contact the undersigned.

Yours truly,

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