
Newfoundland and Labrador
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

IN THE MATTER OF THE
2026 CAPITAL BUDGET APPLICATION
FILED BY
NEWFOUNDLAND POWER INC.

ORDER NO. P.U. 38(2025)

BEFORE:

Kevin Fagan
Chair and Chief Executive Officer

John O'Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LLB, FCIP
Commissioner

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

ORDER NO. P.U. 38(2025)

IN THE MATTER OF the **Electrical Power Control Act, 1994**, SNL 1994, Chapter E-5.1 (the “EPCA”) and the **Public Utilities Act**, RSNL 1990, Chapter P-47 (the “Act”), as amended, and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland Power Inc. for an Order pursuant to sections 41 and 78 of the **Act**: (a) approving its 2026 Capital Budget; (b) providing approval to proceed with the construction, purchase or lease of improvements or additions; and (c) fixing and determining its average rate base for 2024.

BEFORE:

Kevin Fagan
Chair and Chief Executive Officer

John O’Brien, FCPA, FCA, CISA
Commissioner

Christopher Pike, LLB, FCIP
Commissioner

TABLE OF CONTENTS

1. DECISION SUMMARY.....	1
2. BACKGROUND.....	1
3. APPLICATION	2
3.1. Process.....	2
3.2. Submissions	3
4. BOARD DECISION	3
4.1. Proposed Capital Expenditures	5
4.1.1. Mandatory	5
4.1.2. Access.....	6
4.1.3. General Plant	7
4.1.4. Renewal.....	9
4.1.5. Service Enhancement.....	12
4.1.6. System Growth.....	12
4.2 Proposed 2026 Capital Budget.....	13
4.3 Average Rate Base	13
4.4 Other Issues	15
4.4.1 Capital Budget Applications Guidelines.....	15
4.4.2 Strategic Distribution Plan	15
4.4.3 Advanced Metering Infrastructure	16
4.4.4 Other	16
5. ORDER	17

1. DECISION SUMMARY

The Board will approve Newfoundland Power's proposed 2026 capital budget in the amount of \$137,943,000, including expenditures of:

- \$75,158,000 for projects and programs in excess of \$750,000 which require Board approval;
- \$10,367,000 for projects and programs of \$750,000 and under which do not require Board approval;
- \$5,976,000 for multi-year projects in excess of \$750,000 commencing in 2026; and
- \$46,442,000 for ongoing multi-year projects previously approved by the Board with expenditures in 2026.

The Board is satisfied that the proposed expenditures for new projects/programs which require the approval of the Board are justified based on the evidence which shows that these expenditures are reasonable and necessary.

The Board also approves Newfoundland Power's 2024 average rate base in the amount of \$1,357,191,000 on the basis that it complies with established practice and relevant Board Orders.

2. BACKGROUND

Section 41 of the **Act** requires a public utility to submit an annual capital budget of proposed improvements or additions to its property for approval of the Board no later than December 15th in each year for the next calendar year. A utility must also include an estimate of contributions toward the cost of improvements or additions to its property which it intends to demand from its customers.

Subsection 41(3) of the **Act** prohibits a utility from proceeding with the construction, purchase or lease of improvements or additions to its property without the prior approval of the Board where the cost of the construction or purchase or lease is in excess of the amount prescribed in the regulations. Section 3 of the **Public Utilities Regulations**, NLR 40/23, sets the threshold for Board approval at \$750,000.

Section 78 of the **Act** gives the Board the authority to fix and determine the rate base for the service provided or supplied by a utility and gives the Board the power to revise the rate base. Section 78 also guides the Board on the elements included in a utility's rate base.

The process to be followed for capital budget applications is set out in the Board's Capital Budget Application Guidelines (Provisional), January 2022 (the "Guidelines").¹ The Board conducted this proceeding pursuant to the Guidelines.

¹ The Board established Capital Budget Application Guidelines in 2007. The Guidelines established in 2022 are under review in a separate Board process.

3. APPLICATION

Newfoundland Power Inc. (“Newfoundland Power”) filed its 2026 Capital Budget Application (“Application”) with the Board on June 27, 2025. In the Application, Newfoundland Power requested that the Board make an order:

- (a) approving its proposed construction and purchase of improvements or additions to its property to be completed in 2026 in the amount of \$137,943,000 comprising:
 - i. single-year project and program expenditures in excess of \$750,000 in the amount of \$75,158,000;
 - ii. single-year project and program expenditures \$750,000 and under in the amount of \$10,212,000;
 - iii. multi-year projects with 2026 expenditures of \$6,131,000; and
 - iv. previously approved multi-year projects with 2026 expenditures of \$46,442,000;
- (b) approving its proposed multi-year construction and purchase of improvements or additions to its property for future years in the amount of \$40,848,000 in 2027 and \$8,040,000 in 2028; and
- (c) fixing and determining its average rate base for 2024 in the amount of \$1,357,191,000.

3.1. Process

Notice of the Application, including an invitation to participate, was published on July 9, 2025. Details of the Application and supporting documents were posted on the Board’s website.

Newfoundland and Labrador Hydro (“Hydro”) and the Consumer Advocate, Dennis Browne, KC (“Consumer Advocate”) intervened (“Intervenors”) in the Application.

On August 12, 2025 Newfoundland Power presented an overview of the Application to Board staff and the Intervenors. This process provided participants with an opportunity to ask questions and raise areas of concern with respect to the Application.

The Board, Hydro, and the Consumer Advocate issued 138 Requests for Information (“RFIs”) in total to Newfoundland Power. Newfoundland Power responded to these requests on September 9, 2025.

On September 5, 2025 Doane Grant Thornton LLP, the Board’s financial consultant, filed a report on its review of the calculation of Newfoundland Power’s 2024 average rate base. The Board provided a copy of this report to the Intervenors.

The Consumer Advocate issued an additional 19 RFIs based upon Newfoundland Power’s responses to the initial round of RFIs. Newfoundland Power responded to these requests on October 14, 2025.

Hydro and the Consumer Advocate filed submissions respecting the Application on November 6, 2025.² Newfoundland Power filed its reply submission on November 13, 2025.

3.2. Submissions

The Consumer Advocate submitted that the Island Interconnected System is facing a capital cost crisis and that there are actions Newfoundland Power can take to help avoid or mitigate costs for its customers. The Consumer Advocate stated that it is important for consumers that utility expenditures be subject to transparent, effective oversight. The Consumer Advocate submitted that unless capital expenditures reduce operating costs, the burden on customers will continue to grow. The Consumer Advocate asserted that the proposed budget could be strategically reduced with minimal impact on reliability and that Newfoundland Power should consider a longer-term strategy for managing its capital assets and orientating its capital expenditure plans to help mitigate the challenges facing the Island Interconnected System.

Hydro did not object to the capital expenditures proposed in the Application. Hydro stated, as it did in its submission on Newfoundland Power's 2025 Capital Budget Application, that Newfoundland Power should explore opportunities to enhance repair and maintenance strategies, which could help reduce the necessity of asset replacements and achieve a cost-effective balance between reliability, risk, and customer impact.

Newfoundland Power responded to the issues raised by the Consumer Advocate as well as Hydro's submission. Newfoundland Power submitted that it has justified its 2026 capital budget with sound, uncontradicted engineering judgments, and that the proposed projects and programs are necessary to maintain safe and adequate facilities and to provide electrical service that is least cost, reliable, and environmentally responsible.

4. BOARD DECISION

In considering the Application the Board must assess whether approval of the proposals is consistent with the statutory obligations imposed on the Board and Newfoundland Power.³ In particular, section 3(b) of the **EPCA** requires a public utility to manage and operate its facilities for the efficient production, transmission, and distribution of power in a manner that would result in consumers in the province having equitable access to an adequate supply of power at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

As noted by the Guidelines, appropriate capital spending is in the interests of both customers and utilities, as customers benefit from a utility which is well positioned to provide safe, reliable

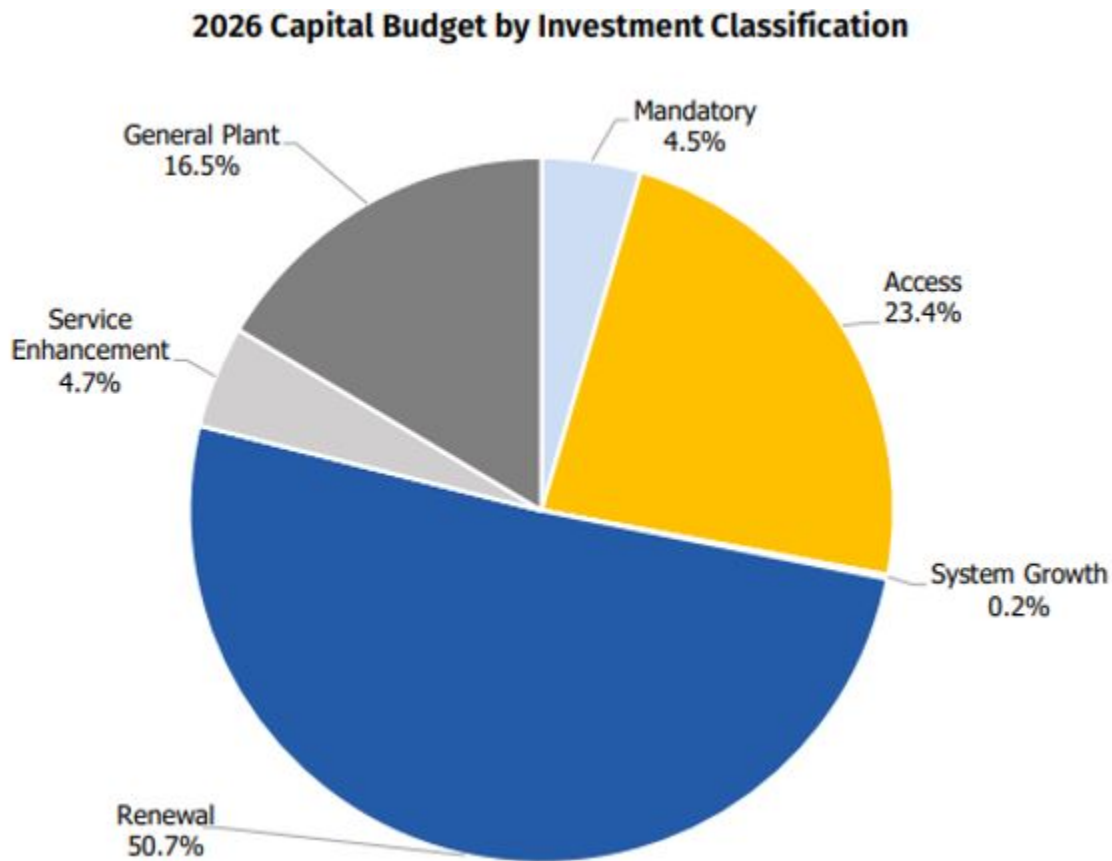
² The Intervenor did not submit a request for a technical conference or an oral hearing.

³ Sections 37 and 54 of the **Act** and sections 3 and 4 of the **EPCA**.

and adequate service and utilities benefit when the rates paid by customers are reasonable and just.⁴

The burden of proof is on the utility to provide sufficient evidence to justify its capital budget application proposals. In accordance with the legislation, regulations, and Guidelines, Newfoundland Power provided information relating to the proposed 2026 Capital Budget, capital expenditures, and 2024 average rate base. The Application also included information required to be filed in compliance with previous Board Orders including a status report on 2025 capital expenditures, a five-year capital plan, as well as a reconciliation of average rate base to invested capital and an update on the review of the implementation of Automated Metering Infrastructure. As required by the Guidelines, the Application included a prioritized list of all projects and programs organized by investment classification.

Newfoundland Power's proposed 2026 Capital Budget by investment classification is shown below.⁵



⁴ Guidelines, pages 1-2.

⁵ Application, 2026 Capital Budget Overview, Figure 7, page 15.

The Board has reviewed the evidence including the Application and supporting materials, RFI responses, Doane Grant Thornton's report, and submissions from the Intervenors and Newfoundland Power. The Board's determinations in relation to the proposed capital expenditures, the 2026 Capital Budget, the 2024 average rate base, and the issues raised by the Consumer Advocate and Hydro are set out below.

4.1. Proposed Capital Expenditures

Newfoundland Power has proposed 30 projects and programs with expenditures over \$750,000 that require Board approval.⁶ There are 21 proposed projects and programs with expenditures less than \$750,000 that do not require Board approval.⁷ There are 13 projects and programs previously approved by the Board.⁸

The evidence provided in support of the proposed expenditures in excess of \$750,000 includes program/project descriptions and justifications, asset overviews, evaluation of alternatives, risk assessments, and costing methodologies. Further information was provided by Newfoundland Power in response to the RFIs filed in this proceeding. The Application also provides descriptions of the projects and programs with expenditures less than \$750,000.

The Board's findings with respect to the proposed Mandatory, Access, General Plant, Renewal, Service Enhancement, and System Growth expenditures are discussed below.

4.1.1. Mandatory

Mandatory investments are those prescribed by a governing body, such as the provincial government, the federal government, or the Board. Newfoundland Power's mandatory expenditures for 2026 are \$6,273,000, accounting for approximately 5% of its proposed 2026 Capital Budget.

There are two mandatory projects with expenditures over \$750,000 requiring Board approval.

- Expenditures of \$5,300,000 are proposed for General Expenses Capitalized which relates to capital expenditures charged in accordance with Board approved methodology.
- Expenditures of \$750,000 are proposed for the Allowance for Unforeseen Items for unplanned expenditures that have not been budgeted elsewhere, made in accordance with the Board's Guidelines.

There is one mandatory project with expenditures under \$750,000 that does not require Board approval, with total expenditures of \$223,000 in 2026.⁹ There are no mandatory expenditures for programs or projects previously approved by the Board.

⁶ Proposed expenditures are \$81,134,000 in 2026, \$40,286,000 in 2027, and \$8,040,000 in 2028.

⁷ Proposed expenditures are \$10,367,000 in 2026 and \$562,000 in 2027.

⁸ Proposed expenditures are \$46,442,000 in 2026 and \$9,816,000 in 2027.

⁹ Application, Schedule C, 2026 Capital Projects and Programs \$750,000 and Under.

The Intervenor did not oppose the proposed mandatory expenditures. The Board finds that the proposed mandatory expenditures are consistent with the Guidelines and Board orders and should be approved.

4.1.2. Access

Investments in access are those required to meet Newfoundland Power's obligation to provide customers with access to electricity services. Newfoundland Power's access expenditures for 2026 are \$32,187,000, accounting for approximately 23% of its proposed 2026 Capital Budget.

There are five access programs with expenditures over \$750,000 requiring Board approval.

- Expenditures of \$16,747,000 are proposed for the Extensions program to construct primary and secondary distribution lines to connect new customers to the electrical system and provide upgrades to the capacity of existing lines to accommodate customers' increased system loads.
- Expenditures of \$3,702,000 are proposed for the Relocate/Replace Distribution Lines for Third Parties program to accommodate requests from municipal/provincial/federal governments, telecommunications companies, and customers to relocate or replace distribution lines.
- Expenditures of \$4,218,000 are proposed for the New Services program to install service wires to connect new customers to the distribution system.
- Expenditures of \$2,425,000 are proposed for the New Street Lighting program to install new street lighting fixtures based on customers' service requests.
- Expenditures of \$4,394,000 are proposed for New Transformers program for the installation of transformers required to supply customers' premises with electricity service.

There is one access program with expenditures under \$750,000 that does not require Board approval, with total expenditures of \$701,000 in 2026.¹⁰ There are no access expenditures for programs or projects previously approved by the Board.

The Intervenor did not oppose the approval of the proposed access programs. However, the Consumer Advocate made the following recommendations:

- Newfoundland Power should begin recording customer contributions to specific capital programs as the current amounts paid for by Contributions in Aid of Construction ("CIAC") is unknown; and
- Newfoundland Power should develop a set of customer fees to be paid as capital contributions based on the specific types of new connection work requested.

Newfoundland Power provided information to demonstrate how CIAC contributions are recorded.¹¹ The Board finds Newfoundland Power's explanation to be in accordance with Board-

¹⁰ Application, Schedule C, 2026 Capital Projects and Programs \$750,000 and Under.

¹¹ CA-NP-110, Newfoundland Power submission, page 23-25.

approved practices and does not accept the Consumer Advocate's suggestion that CIAC amounts are unknown. The Board does not find that changes to the current CIAC reporting practices are necessary at this time.

With respect to requiring capital contributions from customers for new connections, the Board notes that the CIAC Policy requires a fee to be paid when deemed appropriate (e.g. line extensions or upgrades). Newfoundland Power submitted that requiring additional customer contributions would be inconsistent with the provision of service in a least cost manner, inconsistent with the principles of regulated rate-setting, and contrary to Board approved policies. The Board notes that the Consumer Advocate acknowledged that requiring capital contributions for other types of connection work may be a departure from traditional utility practice, but did not provide examples of any jurisdictions where such practices have been implemented. The Board finds that CIAC contributions are determined based on the approved CIAC policy and does not find it necessary to require additional capital contributions from customers at this time.

The Board is satisfied that Newfoundland Power has sufficiently justified its access expenditures for its 2026 Capital Budget. The Board finds that the proposed access expenditures are reasonable and necessary to ensure the delivery of power to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

4.1.3. General Plant

General Plant investments are those related to assets that are not part of Newfoundland Power's generation, transmission, and distribution system including land and buildings, tools and equipment, and electronic devices and software used to support day to day business and operations activities. Newfoundland Power's general plant expenditures for 2026 are \$22,698,000, accounting for approximately 17% of its proposed 2026 Capital Budget.

There are seven general plant projects/programs with expenditures over \$750,000 requiring Board approval.

- Expenditures of \$782,000 in 2026 and \$1,175,000 in 2027 are proposed for the Customer Correspondence Modernization project for upgrading customer bill design and delivery in order to provide comprehensive, personalized and accessible account related communications to customers.
- Expenditures of \$968,000 are proposed for the Application Enhancements project for business modernization, website enhancement, and various minor enhancements in order to reduce costs to customers and/or improve customer service delivery.
- Expenditures of \$500,000 in 2026, \$5,173,000 in 2027 and \$2,652,000 in 2028 for the Geographic Information System Upgrade project to upgrade the existing technology to support Newfoundland Power's numerous business functions and critical operational systems.
- Expenditures of \$965,000 are proposed for the System Upgrades project to perform upgrades to the database management software, human resource management system,

financial management system, supervisory control and data acquisition (“SCADA”) system, and other minor upgrades to implement bug fixes, security patches/updates, or changes to comply with technology, regulatory, or legislative requirements.

- Expenditures of \$990,000 are proposed for the Shared Server Infrastructure project for server infrastructure upgrades and backup and disaster recovery infrastructure expansion to improve the functionality of Newfoundland Power’s shared server infrastructure.
- Expenditures of \$950,000 are proposed for the Cybersecurity Upgrades project for new technologies and enhancements to existing technologies to reduce risk and enhance security in the areas of email protection, vulnerability management, security in operation technologies and SCADA environments, and improvements to information and data management.
- Expenditures of \$3,003,000 in 2026 and \$2,718,000 in 2027 are proposed for the Replace Vehicles and Aerial Devices 2026-2027 project to replace 18 passenger vehicles and two light duty vehicles based on established evaluation criteria and inspections.

There are also nine projects/programs with expenditures under \$750,000 that do not require Board approval. Total expenditures for these projects/programs are \$4,445,000 in 2026.¹² Additionally, Newfoundland Power’s general plant expenditures include five projects previously approved by the Board with expenditures of \$10,095,000 in 2026.¹³

The Consumer Advocate opposed the Customer Correspondence Modernization project noting that customers are largely content with the current bill design. The Consumer Advocate further submitted that the net present value analysis presented by Newfoundland Power to support the project could turn negative if projected operating cost savings are modestly less than anticipated. The Consumer Advocate stated that there was no monetary benefit for customers and that net operating savings would go to Newfoundland Power and governments.

Newfoundland Power disagreed that customers are satisfied with the current bill design as customers have indicated that it lacks clarity and functionality. Newfoundland Power also disagreed that net operating savings will go to Newfoundland Power and governments, stating that operating savings will be reflected in Newfoundland Power’s next general rate application. Newfoundland Power further submitted that the Consumer Advocate has not considered identified deficiencies and upcoming obsolescence of the current bill design platform.

The Board finds that Newfoundland Power has demonstrated that the current billing design platform is nearing the end of its life cycle and will soon be obsolete due to a lapse in vendor support. The Board is satisfied that increasing billing clarity is important for customers and that the project will lower costs for customers over the life of the project compared to viable alternatives. The Board will approve the project.

¹² Application, Schedule C, 2026 Capital Projects and Programs \$750,000 and Under.

¹³ Application, 2026 Capital Budget Overview, Appendix A, page 6, Table A-4.

The Board is satisfied that Newfoundland Power has sufficiently justified its general plant expenditures for its 2026 Capital Budget. The Board finds that the proposed general plant expenditures are reasonable and necessary to ensure the delivery of power to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

The Board also accepts the general plant expenditures associated with projects previously approved by the Board, as the Application confirms there have been no material changes in the scope, nature, or magnitude of these projects.¹⁴

4.1.4. Renewal

Renewal investments are those required to replace and/or refurbish existing electrical system assets to maintain service to customers. Newfoundland Power's renewal expenditures for 2026 are \$69,978,000, accounting for approximately 51% of its proposed 2026 Capital Budget.

There are 14 renewal programs/projects with expenditures over \$750,000 requiring Board approval. Seven of these projects are single-year projects and seven are multi-year projects.

- Expenditures of \$7,674,000 are proposed for the Reconstruction program to replace deteriorated or damaged distribution structures and electrical equipment based on deficiencies identified during inspections or recognized during operational problems, including customer outages and trouble calls.
- Expenditures of \$5,263,000 are proposed for the Rebuild Distribution Lines program for the planned replacement of deteriorated distribution structures and electrical equipment based on the result of inspections or engineering reviews on identified distribution feeders.
- Expenditures of \$4,954,000 are proposed for the Replacement Transformers program to replace distribution system transformers that have deteriorated or failed in service.
- Expenditures of \$4,733,000 are proposed for the Substation Replacements Due to In-Service Failures program to replace substation equipment that has failed or is at imminent risk of failure. The program also includes costs associated with maintaining an inventory of spare parts necessary to permit a timely response to substation equipment failures.
- Expenditures of \$3,306,000 are proposed for the Transmission Line Maintenance program to replace infrastructure that has failed or is at risk of failure, and to accommodate third-party requests to relocate or replace sections of transmission lines.
- Expenditures of \$1,346,000 are proposed for the Distribution Feeder CAB-01 Extension project to construct 9.2 km of new single-phase distribution line with 1/0 AASC conductor to extend CAB-01 to Mount Carmel Pond Dam gatehouse to provide automation as part of the Mount Carmel Pond Dam Refurbishment project.¹⁵

¹⁴ Application, 2026 Capital Budget Overview, Appendix E, page 1.

¹⁵ This project is classified as Access in its project description, page 8 Schedule B, but as Renewal in Tables, Appendix A, page 1.

- 1 • Expenditures of \$914,000 are proposed for the Replacement Street Lighting program to
2 replace failed street light poles and hardware, including overhead and underground
3 wiring and pole-mounting brackets.
- 4 • Expenditures of \$568,000 in 2026 and \$7,551,000 in 2027 are proposed for the
5 Lewisporte-Boyd's Cove 138 kV Conversion project to modify the existing Lewisporte
6 ("LEW"), Boyd's Cove ("BOY"), and Gander ("GAN") substations which is required in
7 conjunction with the previously approved construction of a new 138kV Transmission Line
8 from LEW to BOY Substations and previously approved GAN-T2 transformer replacement.
- 9 • Expenditures of \$374,000 in 2026 and \$2,578,000 in 2027 for the Greenspond Substation
10 Refurbishment & Modernization project to replace and modernize deteriorated
11 equipment at Greenspond Substation which was identified from inspections, engineering
12 assessments and operating experience.
- 13 • Expenditures of \$13,000 in 2026 and \$3,906,000 in 2027 are proposed for the Substation
14 Spare Power Transformer Inventory project to procure a spare 138-25/12.5 kV, 25 MVA
15 power transformer to address a significant gap in Newfoundland Power's current
16 inventory of spare transformers and to ensure continued system reliability.
- 17 • Expenditures of \$12,000 in 2026, \$93,000 in 2027, and \$2,866,000 in 2028 are proposed
18 for the King's Bridge Substation Power Transformer Replacement project to remove
19 existing power transformer KBR-T3 and install and commission a new 15/20/25 MVA, 66-
20 12.5/25kV power transformer complete with a new spill containment foundation.
- 21 • Expenditures of \$12,000 in 2026, \$93,000 in 2027, and \$2,522,000 in 2028 are proposed
22 for the Mobile Plant Substation Power Transformer Replacement project to remove the
23 power transformer MOP-T1 and install and commission a new 10/13.3/16.7 MVA, 66-6.9
24 kV power transformer complete with a new spill containment foundation.
- 25 • Expenditures of \$12,000 in 2026 and \$2,789,000 in 2027 are proposed for the Molloy's
26 Lane Substation Power Transformer Replacement project to remove existing power
27 transformer MOL-T2 and install and commission a new 15/20/25 MVA, 66-12.5/25 kV
28 power transformer.
- 29 • Expenditures of \$450,000 in 2026 and \$13,323,000 in 2027 are proposed for the
30 Transmission Line 100L Rebuild project to rebuild the transmission line between
31 Sunnyside Substation and Clarendville Substation to address deterioration and deficiencies
32 identified through inspection.

33
34 There are eight renewal projects/programs with expenditures under \$750,000 that do not
35 require Board approval, with total expenditures of \$4,000,000 in 2026.¹⁶ In addition,
36 Newfoundland Power's renewal expenditures include eight projects previously approved by the
37 Board with expenditures of \$36,347,000 in 2026.¹⁷

38
39 The Consumer Advocate objected to the proposed Mount Carmel Pond Feeder Extension CAB-
40 01 and the proposed Mount Carmel Pond Dam Fibre projects. The projects involve construction
41 of a single-phase distribution line to the Mount Carmel Pond Dam and installing a new fibre optic

¹⁶ Application, Schedule C, 2026 Capital Projects and Programs \$750,000 and Under.

¹⁷ Application, 2026 Capital Budget Overview, Appendix A, page 6, Table A-4.

1 cable from the spillway to the outlet gate. The projects are to be completed as a part of the
 2 Mount Carmel Pond Dam Refurbishment project that was approved in the 2025 Capital Budget
 3 Application. Newfoundland Power stated that the outlet gate requires manual operations by
 4 hydro plant operations staff and that failure to replace and automate gate operations could result
 5 in an inability to control water flow through the facility, resulting in a loss of generation.¹⁸

6
 7 The Consumer Advocate submitted that the rationale for the project was labour-saving but stated
 8 that improvements to the facilities due to the refurbishment project might presume that manual
 9 operation of the gate will not be as onerous. The Consumer Advocate submitted that the annual
 10 savings, based on estimates prepared by the Consumer Advocate, would not justify the proposed
 11 capital expenditure and that a benefit-cost analysis has not been completed for this project.¹⁹
 12 The Consumer Advocate recommended that the project not be approved.²⁰

13
 14 Newfoundland Power disagreed that the rationale for the two projects is solely labour-saving.
 15 Newfoundland Power submitted that a life cycle cost analysis was completed for the
 16 refurbishment project as part of the 2025 Capital Budget Application which demonstrated that
 17 the project, including the gate projects, provided a net benefit for customers. Newfoundland
 18 Power also submitted that a condition assessment of the gate structure demonstrated that the
 19 outlet gate system was in poor condition, was not suitable for automation and needed to be
 20 replaced.

21
 22 The Board finds that the evidence demonstrates that the automation of the Mount Carmel Pond
 23 gate provides benefits to the system, both operationally and financially. It eliminates the
 24 requirement for staff to travel to the remote location, provides an opportunity to maximize
 25 generation from the Mount Carmel Pond reservoir and in conjunction with the already approved
 26 refurbishment project, provides a net benefit to customers. The Board will approve both the
 27 Mount Carmel Pond Feeder Extension CAB-01 and the proposed Mount Carmel Pond Dam Fibre
 28 projects.

29
 30 The Board is satisfied that Newfoundland Power has sufficiently justified its renewal expenditures
 31 for its 2026 Capital Budget. The Board finds that the proposed renewal expenditures are
 32 reasonable and necessary to ensure the delivery of power to customers at the lowest possible
 33 cost, in an environmentally responsible manner, consistent with reliable service. The Board also
 34 accepts the renewal expenditures associated with projects previously approved by the Board, as
 35 the Application confirms there have been no material changes in the scope, nature, or magnitude
 36 of these projects.²¹

¹⁸ Application, Schedule C, page 6 of 8.

¹⁹ Consumer Advocate Submission, pages 16-17.

²⁰ Consumer Advocate Submission, page 17.

²¹ Application, 2026 Capital Budget Overview, Appendix E, page 1.

4.1.5. Service Enhancement

Service enhancement investments are those that modify Newfoundland Power's system to meet operational requirements in a more efficient and/or effective manner. Such projects and programs include those associated with safety, environmental protection, automation, and poorly performing feeders. Newfoundland Power's service enhancement expenditures for 2026 are \$6,557,000, accounting for approximately 5% of its proposed 2026 Capital Budget.

There is one project with expenditures over \$750,000 requiring Board approval. Expenditures of \$5,559,000 are proposed to conclude the LED Street Lighting Replacement project as part of a six-year plan that began in 2021 to supply Street and Area Lighting customers with LED fixtures to provide these customers with reliable service at the lowest possible cost.

There are two service enhancement projects with expenditures under \$750,000 that do not require Board approval. Total expenditures for these projects are \$998,000 in 2026.²² There are no service enhancement expenditures for programs or projects previously approved by the Board.

The Intervenors did not oppose the proposed service enhancement expenditures. The Board is satisfied that Newfoundland Power has sufficiently justified its service enhancement expenditures for its 2026 Capital Budget. The Board finds that the proposed service enhancement expenditures are reasonable and necessary to ensure the delivery of power to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

4.1.6. System Growth

System growth investments are those that modify Newfoundland Power's system to meet forecast changes in customer electricity resource requirements. Newfoundland Power's 2026 system growth expenditures of \$250,000 account for approximately 0.2% of the proposed 2026 Capital Budget.

There is one proposed multi-year system growth project with expenditures above \$750,000. The Feeder Additions for Load Growth project has expenditures of \$250,000 in 2026 and \$887,000 in 2027. The proposed project addresses an overloaded section of Deer Lake ("DLK") Substation distribution feeder DLK-03 in the area of Bonne Bay Big Pond. There are no system growth expenditures previously approved by the Board.

The Intervenors did not oppose the proposed system growth expenditures. The Board is satisfied that Newfoundland Power has sufficiently justified its system growth expenditures for its 2026 Capital Budget. The Board finds that the proposed system growth expenditures are reasonable and necessary to ensure the delivery of power to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

²² Application, Schedule C, 2026 Capital Projects and Programs \$750,000 and Under.

4.2 Proposed 2026 Capital Budget

Newfoundland Power's proposed 2026 Capital Budget is \$137,943,000, including expenditures of \$81,134,000 requiring Board approval, \$10,367,000 not requiring Board approval, and \$46,442,000 for projects previously approved by the Board. The Board notes that Newfoundland Power's proposed 2026 Capital Budget is approximately 8% higher than its 2025 Capital Budget of \$127,951,000.

The Application discussed four projects that were planned for 2026 but have been deferred to subsequent years and one capital project that was planned for future years but has been advanced to 2026. There were no capital expenditures proposed for 2026 that were deferred from previous years or modified through the capital planning process.²³ The Board notes Newfoundland Power's statement that prioritization and deferral decisions are based on assessments of the likelihood that an asset will fail and the potential reliability, safety, environmental, or economic consequences for customers if failure were to occur.²⁴

The Board approves Newfoundland Power's 2026 Capital Budget in the amount of \$137,943,000 on the basis that the evidence filed demonstrates that the proposed expenditures are justified and necessary. The Board has found that the proposed 2026 expenditures in excess of \$750,000 for the construction, purchase, or lease of improvements or additions to Newfoundland Power's property are reasonable and necessary to ensure the delivery of power to its customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service. The Board also accepts the expenditures associated with projects/programs previously approved by the Board, as the Application confirms that there have been no material changes in the scope, nature or magnitude of these projects/programs. While expenditures under \$750,000 do not require Board approval, they are included in Newfoundland Power's proposed 2026 Capital Budget which requires the approval of the Board pursuant to subsection 41(1) of the **Act**. The Board has reviewed the information provided in relation to these expenditures and accepts that they should be included in Newfoundland Power's 2026 Capital Budget.

4.3 Average Rate Base

The Application requested that the Board fix and determine Newfoundland Power's 2024 average rate base in the amount of \$1,357,191,000.²⁵

²³ Application, 2026 Capital Budget Overview, Appendix B, pages 1-2, Tables B-1 and B-2.

²⁴ Application, 2026 Capital Budget Overview, page 5.

²⁵ Application, Schedule D, Computation of Average Rate Base, page 1.

Newfoundland Power Inc.
Computation of Average Rate Base
For the Years Ended December 31
(\$000s)

	2024	2023
Net Plant Investment		
Plant Investment	2,403,246	2,311,786
Accumulated Depreciation	(1,004,688)	(957,928)
Contributions in Aid of Construction	(47,797)	(47,887)
	<u>\$1,350,761</u>	<u>\$1,305,971</u>
Additions to Rate Base		
Deferred Pension Costs	108,293	101,430
Credit Facility Costs	167	105
Cost Recovery Deferral – Conservation	21,280	20,708
Cost Recovery Deferral – 2022 Revenue Shortfall	0	229
Cost Recovery Deferral – Load Research and Retail Rate Design Review	635	189
Cost Recovery Deferral – Hearing Costs	874	0
Cost Recovery Deferral – Pension Capitalization	1,198	799
Customer Finance Programs	1,049	1,199
	<u>\$133,496</u>	<u>\$124,659</u>
Deductions from Rate Base		
Weather Normalization Reserve	2,896	(6,321)
Demand Management Incentive Account	(1,545)	(978)
Other Post-Employment Benefits	86,308	84,357
Customer Security Deposits	618	653
Accrued Pension Obligation	5,512	5,397
Accumulated Deferred Income Taxes	33,287	30,609
Refundable Investment Tax Credits	294	292
Excess Earnings Account	0	3,714
	<u>\$127,370</u>	<u>\$117,723</u>
Year End Rate Base	1,356,887	1,312,907
Average Rate Base Before Allowances	1,334,897	1,267,997
Rate Base Allowances		
Materials and Supplies Allowance	14,743	14,778
Cash Working Capital Allowance	7,551	7,304
Average Rate Base at Year End	<u>\$1,357,191</u>	<u>\$1,290,079</u>

1 Doane Grant Thornton LLP, the Board's Financial Consultant, reviewed Newfoundland Power's
2 proposed average rate base for 2024 and concluded that the proposed 2024 average rate base
3 accords with established practice and relevant Board Orders.²⁶

4
5 The Consumer Advocate and Hydro did not comment on the calculation of Newfoundland
6 Power's 2024 rate base, although the Consumer Advocate stated his concern about high capital
7 expenditures continuing to add to rate base, the cost and risk of which are borne by ratepayers.

²⁶Doane Grant Thornton Report, September 5, 2025, page 3.

1 Newfoundland Power submitted that the Board should fix and determine its average rate base
2 for 2024 at \$1,357,191,000.

3
4 The Board finds that the components of Newfoundland Power's average rate base for 2024 in
5 the amount of \$1,357,191,000 should be approved on the basis that it complies with established
6 practice and relevant Board Orders.

7 8 **4.4 Other Issues** 9

10 The Consumer Advocate raised several issues separate from the comments provided on certain
11 projects and programs.

12 13 **4.4.1 Capital Budget Applications Guidelines** 14

15 The Consumer Advocate recommended that the Board finalize the Capital Budget Applications
16 Guidelines. The Board notes that the current Guidelines were established provisionally in January
17 2022 and are the subject of an ongoing separate Board process which involves other parties not
18 participating in this Application. On May 23, 2025 the Board provided an update on the Capital
19 Budget Application Guideline Review, stating that it would advise of next steps upon completion
20 of Hydro's asset management assessment. The Guidelines are not an issue in this proceeding and
21 will continue to be addressed in a separate process with the participation of all interested parties.

22 23 **4.4.2 Strategic Distribution Plan** 24

25 The Consumer Advocate recommended that the Board should order Newfoundland Power to
26 complete a Strategic Distribution Plan prior to submission of its 2027 Capital Budget Application.
27 The Consumer Advocate submitted that Newfoundland Power has failed to meet the burden of
28 proof required by not providing a five-year distribution expansion or strategic plan and that a
29 proper distribution planning process should be provided before the Board approves funds.

30
31 Newfoundland Power stated that the five-year capital plan that it provides with each annual
32 capital budget application provides visibility on future investment priorities and discusses key
33 risks to the electrical system. Newfoundland Power submitted that its five-year capital plan is
34 functionally similar to the distribution plans noted by the Consumer Advocate.

35
36 The Board is satisfied that the five-year capital plan filed with the annual capital budget
37 application provides much of the information that the Consumer Advocate submitted is required
38 such as information on the current system, future forecasts, capital investment projects,
39 reliability and modernization initiatives and financial analysis. The Board also notes that, as
40 directed by the Board in Order No. P.U. 3(2025), Newfoundland Power has committed to develop
41 and file with the Board, by the end of 2026, an overall strategic plan that addresses how it
42 approaches the balance of cost and reliability, identifying issues and challenges that may have
43 significant potential implications for its system and customers, and potential strategies and
44 approaches to address these issues in the short, medium and long term in a comprehensive,

coordinated way.²⁷ The Board believes this is an adequate time frame for Newfoundland Power to complete the work required for the plan and does not find it necessary to provide any further direction on strategic planning. The Board will decide next steps when the strategic plan is filed with the Board.

4.4.3 Advanced Metering Infrastructure

The Consumer Advocate recommended that the Board should order Newfoundland Power to move to Advanced Metering Infrastructure (“AMI”) technology and begin installing AMI as soon as possible, before the end of 2026, and that Newfoundland Power should provide an implementation plan to the Board by March 1, 2026. The Consumer Advocate stated that, despite numerous submissions, the utilities refuse to undertake a preliminary assessment that places a value on the numerous benefits of smart meters relative to the outdated AMR technology now in use. The Consumer Advocate submitted that the Island system is facing a capital cost crisis that can be mitigated by AMI in combination with a more appropriate retail rate structure and other behind-the-meter alternatives.

Newfoundland Power stated that the Consumer Advocate does not fully consider the effort and cost of an AMI business case, the age and benefits of its current AMR technology, cost of AMI technology, metering practices across Canada and the differing circumstances of the other Atlantic Canadian provinces at the time of AMI implementation.

The Board directed Newfoundland Power to file an update on its review of the implementation of AMI as part of its 2026 Capital Budget Application. In the AMI update report, Newfoundland Power stated that it anticipates transitioning to AMI when its AMR technology requires mass replacement in the mid 2030’s but will continue to investigate funding opportunities that could move up the transition. The Board continues to believe that smart metering through AMI implementation could provide additional benefits to customers beyond what is currently being provided by AMR; however, the evidence does not support a change at this time. The Board will continue to require that Newfoundland Power provide an update on its review of the implementation of AMI as part of its 2027 Capital Budget Application.

4.4.4 Other

The Consumer Advocate raised other issues including assessment of alternatives and control over capital spending and Hydro provided comments on repair alternatives for high value assets similar to comments it provided in the 2025 Capital Budget Application. These issues were addressed by the Board in Order No. P.U. 27(2024) relating to Newfoundland Power’s 2025 Capital Budget Application and no additional comments are warranted at this time.

The Consumer Advocate also raised an issue relating to the value of major project upgrades. The Consumer Advocate stated that equipment failures are increasing and, in many cases, reliability

²⁷ Correspondence to the Board from Newfoundland Power, dated October 15, 2025.

1 had worsened following major project upgrades. The Board will continue to monitor this issue
2 but is satisfied that Newfoundland Power has adequately assessed alternatives when
3 determining whether a program or project should be proposed in its 2026 Capital Budget.

4
5 **5. ORDER**

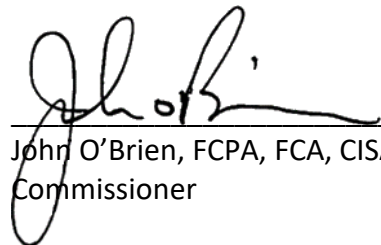
6
7 **IT IS THEREFORE ORDERED:**

- 8
9 **1. Newfoundland Power's proposed construction and purchase of improvements or**
10 **additions to its property in excess of \$750,000 to be completed in 2026, as set out in**
11 **Schedule A to this Order, are approved.**
12
13 **2. Newfoundland Power's proposed multi-year construction and purchase of improvements**
14 **or additions to its property in excess of \$750,000, as set out in Schedule B to this Order,**
15 **are approved.**
16
17 **3. Newfoundland Power's 2026 Capital Budget for improvements or additions to its**
18 **property in an amount of \$137,943,000, as set out in Schedule C to this Order, is approved.**
19
20 **4. Newfoundland Power's average rate base for the year ended December 31, 2024 is**
21 **hereby fixed and determined at \$1,357,191,000.**
22
23 **5. Unless otherwise directed by the Board, Newfoundland Power shall file an annual report**
24 **to the Board on its 2026 capital expenditures by April 1, 2027.**
25
26 **6. Unless otherwise directed by the Board Newfoundland Power shall provide, in**
27 **conjunction with its 2027 Capital Budget Application, a status report on the 2026 capital**
28 **expenditures showing for each project:**
29
30 **i. the approved budget for 2026;**
31 **ii. the expenditures prior to 2026;**
32 **iii. the 2026 expenditures to the date of application;**
33 **iv. the remaining projected expenditures for 2026;**
34 **v. the variance between the projected total expenditures and the approved budget;**
35 **and**
36 **vi. an explanation of the variance.**
37
38 **7. Newfoundland Power shall file an update on its review of the implementation of**
39 **Advanced Metering Infrastructure as part of its 2027 Capital Budget Application.**
40
41 **8. Newfoundland Power shall pay all costs and expenses of the Board incurred in connection**
42 **with the Application.**


DATED at St. John's, Newfoundland and Labrador this 16th day of December 2025.



Kevin Fagan
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Colleen Jones
Assistant Board Secretary

Newfoundland Power Inc.
2026 Capital Budget
Single-Year Projects/Programs Over \$750,000
(\$000)

<u>Project Description</u>	<u>2026</u>
<u>Mandatory</u>	
General Expenses Capitalized	5,300
Allowance for Unforeseen	750
Total Mandatory	\$ 6,050
<u>Access</u>	
Extensions	16,747
New Transformers	4,394
New Services	4,218
Relocate/Replace Distribution Lines for Third Parties	3,702
New Street Lighting	2,425
Total Access	\$ 31,486
<u>Renewal</u>	
Reconstruction	7,674
Rebuild Distribution Lines	5,263
Replacement Transformers	4,954
Substation Replacements Due to In-Service Failures	4,733
Transmission Line Maintenance	3,306
Distribution Feeder CAB-01 Extension	1,346
Replacement Street Lighting	914
Total Renewal	\$ 28,190
<u>Service Enhancement</u>	
LED Street Lighting Replacement	5,559
Total Service Enhancement	\$ 5,559
<u>General Plant</u>	
Shared Server Infrastructure	990
Application Enhancements	968
System Upgrades	965
Cybersecurity Upgrades	950
Total General Plant	\$ 3,873
Total Expenditures Single-Year Projects over \$750,000	\$ 75,158

Newfoundland Power Inc.
2026 Capital Budget
Multi-Year Projects Over \$750,000
(\$000)

Multi-Year Projects Commencing in 2026

Classification	Project Description	2026	2027	2028	Total
System Growth	Feeder Additions for Load Growth	250	887		1,137
Renewal	Lewisporte-Boyd's Cove 138 kV Conversion	568	7,551		8,119
	Greenspond Substation Refurbishment & Modernization	374	2,578		2,952
	Substation Spare Power Transformer Inventory	13	3,906		3,919
	Kings Bridge Substation Power Transformer Replacement	12	93	2,866	2,971
	Mobile Plant Substation Power Transformer Replacement	12	93	2,522	2,627
	Molloys Lane Substation Power Transformer Replacement	12	2,789		2,801
	Transmission Line Rebuild – 100L Sunnyside to Clarendville	450	13,323		13,773
General Plant	Customer Correspondence Modernization	782	1,175		1,957
	Geographic Information System Upgrade	500	5,173	2,652	8,325
	Replace Vehicles and Aerial Devices 2026-2027	3,003	2,718		5,721
Total Multi-Year Projects over \$750,000 commencing in 2026		\$ 5,976	\$ 40,286	\$ 8,040	\$ 54,302

Newfoundland Power Inc.
2026 Capital Budget
(\$000)

Projects/Programs Over \$750,000 to be completed in 2026	75,158
Multi-Year Projects Over \$750,000 commencing in 2026	5,976
Projects/Programs Under \$750,000 to be completed in 2026 ¹	10,212
Multi-Year Projects/Programs Under \$750,000 commencing in 2026 ²	155
Multi-Year Projects/Programs Approved in Previous Years ³	46,442
Total 2026 Capital Budget	\$ 137,943

¹ See Schedule C: Appendix 1 for details.
² Summerford Building Replacement (\$155,000 in 2026 and \$562,000 in 2027).
³ See Schedule C: Appendix 2 for details.

Newfoundland Power Inc.
2026 Capital Budget
Single-Year Projects Under \$750,000
(\$000)

2026

Mandatory

Allowance for Funds Used During Construction	223
Total Mandatory	\$ 223

Access

New Meters	701
Total Access	\$ 701

Renewal

Hydro Plant Replacements Due to In-Service Failures	736
Distribution Feeder GDL-03 Refurbishment	722
Substation Protection and Control Replacements	719
Replacement Meters	562
Cape Broyle and Horsechops Plant Control Upgrades	398
Replacement Services	382
Thermal Plant Replacements Due to In-Service Failures	331
Mount Carmel Pond Dam Fibre	150
Total Renewal	\$ 4,000

Service Enhancement

Distribution Feeder Automation	648
Substation Ground Grid Upgrades	350
Total Service Enhancement	\$ 998

General Plant

Personal Computer Infrastructure	733
Additions to Real Property	714
Purchase Specialized Tools and Equipment	616
Tools and Equipment	605
Physical Security Upgrades	506
Network Infrastructure	495
Building Accessibility Improvements	490
Telecommunications	131
Total General Plant	\$ 4,290

Total Expenditures Single-Year Projects Under \$750,000	\$ 10,212
--	------------------

Newfoundland Power Inc.
2026 Capital Budget
Multi-Year Projects Previously Approved by the Board
(\$000)

Approved	Classification	Project Description	2024	2025	2026	2027	Total	
P.U. 27(2024)	Renewal	Distribution Feeder SCT-01 & BLK-01 Relocation		649	1,140		1,789	
		Summerville Substation Refurbishment & Modernization		511	4,510		5,021	
		Lockston Substation Refurbishment & Modernization		305	4,521		4,826	
		Pulpit Rock Substation Power Transformer Replacement		17	2,905		2,922	
		Gander Substation Power Transformer Replacement		17	3,905	263	4,185	
		Transmission Line 94L		3,485	9,075		12,560	
		New Transmission Line from LEW to BOY		1,886	9,283	9,553	20,722	
		Mount Carmel Pond Spillway Replacement		3,608	1,008		4,616	
	General Plant	Asset Management Technology Replacement		3,479	4,534		8,013	
		Outage Management System Upgrade		1,811	1,459		3,270	
		Port Union Building Replacement		278	1,003		1,281	
		Replace Vehicles and Aerial Devices 2025-2026		2,173	2,802		4,975	
		Total Multi-Year Projects commencing in 2025			\$ 18,219	\$ 46,145	\$ 9,816	\$ 74,180
	P.U. 2(2024)	General Plant	Microsoft Enterprise Agreement	297	297	297		891
			Total Multi-Year Projects commencing in 2024		\$ 297	\$ 297	\$ 297	\$ 891
Total Multi-Year Projects Previously Approved by the Board		\$ 297	\$ 18,516	\$ 46,442	\$ 9,816	\$ 75,071		

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