

January 31, 2024

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: CIAC Cost Factors

In Order No. P.U. 4 (1997-98) (the "Order"), at Item 16, the Board ordered that:

"Newfoundland Power file annually, together with an affidavit, a schedule of current costs and the effective CIAC Policy appendices entitled, *Distribution Plant Upgrade Cost for CIACs* and both Residential and General Service *Distribution Line Cost per Metre for CIACs.*"

Attached, in compliance with the Order, are the following schedules, together with the required affidavit, which constitute the Company's update to the cost factors used in the *Contribution in Aid of Construction Policy: Distribution Line Extensions to Domestic Customers* (the "Domestic Policy") and the *Contribution in Aid of Construction Policy: Distribution Line Extensions and Upgrades to General Service Customers* (the "General Service Policy"):

- Schedule A - Distribution Line Cost per Metre for Domestic CIACs
(Appendix A, page 1 of 1, to the Domestic Policy)
- Schedule B - Distribution Line Cost per Metre for General Service CIACs
(Appendix A, page 1 of 1, to the General Service Policy)
- Schedule C - Distribution Plant Support Table for General Service CIACs
(Appendix B, page 1 of 1, to the General Service Policy)
- Schedule D - Distribution Plant Upgrade Cost for General Service CIACs
(Appendix C, page 1 of 1, to the General Service Policy).

Newfoundland Power has also included an explanatory note which provides detailed explanations for the cost factor changes for 2024.

Newfoundland Power Inc.

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The changes to the schedules reflect updates of the various inputs used to derive the cost factors. The major sources of data used to derive the cost factors include the 2022 cost of service study, the regulated cost of financing new capital assets, and current labour and material costs associated with the construction of line extensions.

Summary of Changes

Schedules A and B show the updated distribution line cost per metre and charges for brush clearing and easements. The cost per metre for single-phase line extensions increased from \$49 to \$56 while the cost per metre for three-phase line extensions increased from \$70 to \$79. The cost per metre for upgrading from single-phase to three-phase increased from \$57 to \$61 and from two-phase to three-phase increased from \$34 to \$36. The increases are primarily the result of increases in material and labour costs.

The brush clearing cost per metre has increased from \$4.75 to \$5.25 and the easement charge has remained the same at \$450. The increase in brush clearing is primarily the result of increases in contract labour costs.

Schedule C provides the distribution plant support table that is used to determine the additional load-based investment in computing CIACs for General Service customers. The additional load-based investment has decreased by approximately 4% over 2023. This change is primarily a result of a decrease in the distribution primary costs recovered through rates as indicated by the Company's 2022 cost of service study.

Schedule D shows the additional costs applied in determining a CIAC for General Service customers requiring a plant upgrade (e.g. the costs associated with the replacement, transfer or installation of additional poles or anchors). These costs are in addition to construction costs derived from the cost per metre to upgrade a main line set out in Schedule B. The changes in these charges are primarily the result of increases in material and labour costs.

Detailed explanations for the cost factor changes for 2024 are set out in the Explanatory Note included with this filing.

Implementation Approach

When implementing the updated cost factors, the Company proposes that all outstanding CIAC quotations (issued but neither accepted nor expired) calculated using the current cost factors will be recalculated where such recalculation is advantageous to the customer. This is in accordance with previous practice as ordered by the Board.

Newfoundland Power proposes that the revised cost factors be made effective five business days after Board approval.

Board of Commissioners
of Public Utilities
January 31, 2024
Page 3 of 3

A draft of the order requested is enclosed for the Board's convenience.

If there are any questions regarding the revised schedules, please contact the undersigned.

Yours truly,

A handwritten signature in blue ink that reads "Dominic Foley". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dominic Foley
Legal Counsel

Enclosures

c. Shirley Walsh
Newfoundland & Labrador Hydro

Dennis Browne, K.C.
Browne Fitzgerald Morgan & Avis

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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 the requirement to annually file with the Board updated cost factors and updated CIAC policy appendices pursuant to Order No. P.U. 4 (1997-98).

AFFIDAVIT

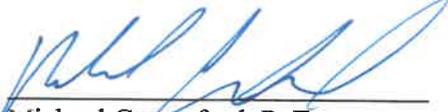
I, Michael Comerford, of the City of Mount Pearl, in the Province of Newfoundland and Labrador, make oath and say as follows:

1. That I am Director, Rates and Supply of Newfoundland Power Inc.;
2. That I have read and understand the foregoing Application; and
3. That, to the best of my knowledge, information and belief, the attached schedules, marked as Schedules A, B, C and D, provide an accurate representation of the costs related to CIACs for distribution line extensions and upgrades for customers of Newfoundland Power Inc., as required to be filed with the Board pursuant to Order No. P.U. 4 (1997-98).

SWORN TO before me at St. John’s in the Province of Newfoundland and Labrador this 31st day of January, 2024:



Barrister, NL



Michael Comerford, P. Eng

SCHEDULE A

Domestic Policy

Distribution Line Cost per Metre for Domestic CIACs

**NEWFOUNDLAND POWER INC.
DISTRIBUTION LINE COST PER METRE FOR DOMESTIC CIACs**

TYPE OF CONSTRUCTION	COST / METRE ¹ \$
<u>LINE EXTENSIONS</u> SINGLE PHASE	56

¹ This cost factor does not include any costs for clearing or obtaining easements. When clearing is required, an additional charge of \$5.25 per metre will apply to the section of line beyond the distance of the Basic Investment. A \$450 charge will be applied for each required easement beyond the distance of the Basic Investment.

SCHEDULE B

General Service Policy

Distribution Line Cost per Metre for General Service CIACs

**NEWFOUNDLAND POWER INC.
DISTRIBUTION LINE COST PER METRE
FOR GENERAL SERVICE CIACs**

TYPE OF CONSTRUCTION	COST / METRE ¹ \$
<u>LINE EXTENSIONS</u>	
SINGLE PHASE	56
THREE PHASE	79
<u>UPGRADES ²</u>	
SINGLE PHASE TO THREE PHASE	61
TWO PHASE TO THREE PHASE	36

¹ These cost factors do not include any costs for clearing or obtaining easements. When clearing is required, an additional charge of \$5.25 per metre will apply to the section of line beyond the distance of the Basic Investment. A \$450 charge will be applied for each required easement beyond the distance of the Basic Investment.

² These costs include only the cost associated with primary conductors and related hardware in upgrades. For additional costs refer to Appendix C: Distribution Plant Upgrade Cost for General Service CIACs.

SCHEDULE C

General Service Policy

Distribution Plant Support Table for General Service CIACs

**NEWFOUNDLAND POWER INC.
DISTRIBUTION PLANT SUPPORT TABLE
FOR GENERAL SERVICE CIACs**

Annual Load Factor	Dollars per kW/kVA ¹
Less than 5%	109
5%-9.9%	157
10%-14.9%	172
15%-19.9%	195
20%-24.9%	211
25%-29.9%	220
30%-34.9%	234
35%-39.9%	248
40%-44.9%	262
45%-49.9%	273
50%-54.9%	281
55%-59.9%	289
60%-64.9%	302
65%-69.9%	307
70% and Over	312

¹ The Additional Load based Investment, which applies to customers with a maximum annual demand exceeding 10 kW, will be determined by multiplying (i) the estimated maximum annual demand, less 10 kW, and (ii) the appropriate dollars per kW/kVA.

SCHEDULE D

General Service Policy

Distribution Plant Upgrade Cost for General Service CIACs

**NEWFOUNDLAND POWER INC.
DISTRIBUTION PLANT UPGRADE COST
FOR GENERAL SERVICE CIACs**

TYPE OF TRANSFER OR REPLACEMENT	COST ¹ (\$)
REPLACE POLES - UP TO 45'	4,020
ADDITIONAL POLES	2,290
DISTRIBUTION SECONDARY PER POLE / SPAN	
Transfer Only	1,020
Replace Conductor	1,320
SERVICE DROP PER POLE / SPAN	
Transfer Only	100
Replace Conductor	200
TRANSFORMER MOUNTINGS	
Single Transformer	1,330
Two or Three Transformers	3,370
POLE GUY	
Transfer Only	50
Replace Guy	100
REPLACE ANCHOR	980
ADDITIONAL ANCHOR	560
STREETLIGHTING - TRANSFER SINGLE FIXTURE	300
STREETLIGHTING DUPLEX PER POLE / SPAN	
Transfer Only	100
Replace Conductor	190

¹ Includes all overheads.

Explanatory Note

Schedules A and B – Distribution Line Costs per Metre

Table 1 provides a comparison of the CIAC cost factors for line extensions and upgrades for 2024 with those approved for 2023. The single-phase line extension cost per metre applies to both Domestic (Schedule A) and General Service (Schedule B) customers.

Table 1
CIAC Cost Factor Comparison 2023 vs 2024

	Cost per Metre			
	2023	2024	<u>Change</u>	
Line Extensions				
Single-Phase	\$49	\$56	\$7	14%
Three-Phase	\$70	\$79	\$9	13%
Upgrades				
Single to Three-Phase	\$57	\$61	\$4	7%
Two to Three-Phase	\$34	\$36	\$2	6%

There is a \$7 increase in the CIAC cost factor for single-phase line extensions and a \$9 increase for three-phase line extensions relative to 2023. The detailed calculation of the line extension cost per metre is shown in Table 3.

There is a \$4 increase in the CIAC cost factors for upgrades from single-phase to three-phase and a \$2 increase for upgrades from two-phase to three-phase.

The change in the cost of distribution line extensions primarily reflects increases in pole contractor costs related to the installation of poles and anchors, the cost of poles, and the cost of other distribution materials. The cost of purchasing and installing poles and anchors increased the cost of single-phase and three-phase line extensions by 10% and 7%, respectively.^{1,2} The cost associated with other distribution materials increased the cost of single-phase and three-phase line extensions by 2% and 4%, respectively.³ The remainder of the increase for line extensions is attributable to labour costs and rounding to the nearest dollar.

¹ Newfoundland Power tendered contracts for the installation of poles and anchors across its service territory in 2023. The increase in costs associated with the new contracts are reflected in the 2024 CIAC cost factors.

² Newfoundland Power participates with other Fortis Inc. subsidiaries in negotiating contracts for the supply of wood poles. The latest contract was signed by Newfoundland Power on August 24, 2022 with a negotiated 15% price increase relating to competitive market conditions in effect as of May 1, 2023.

³ Other distribution materials include insulators, conductors, clamps, and other hardware used in the construction of distribution line extensions. Newfoundland Power procures this material through tendering processes. In certain cases, such as conductors, the cost of the materials fluctuates based on commodity prices.

The changes in the cost of single-phase and three-phase upgrades primarily reflects higher labour costs and an increase in the cost of other distribution materials. Labour costs, including the cost of vehicles, increased the cost of single-phase and three-phase upgrades by 3% while the cost associated with other distribution materials increased the costs of single-phase and three-phase upgrades by 4% and 3%, respectively.

Table 2 provides a comparison of the Company’s construction costs per metre used in determining the CIAC cost factors for line extensions and upgrades for 2023 and 2024. The construction costs shown in Table 2 are not adjusted to reflect cost savings related to joint use of support structures.

Table 2
Construction Cost Comparison 2023 vs. 2024

	Cost per Metre			
	2023	2024	Change	
Line Extension				
Single-Phase	\$63.92	\$73.19	\$9.27	14.5%
Three-Phase	\$84.93	\$96.33	\$11.40	13.4%
 Upgrade				
Single to Three-Phase	\$56.84	\$60.83	\$3.99	7.0%
Two to Three-Phase	\$33.52	\$35.63	\$2.11	6.3%

Table 3 provides the calculation of the blended CIAC line extension costs per metre reflecting the relative proportions of the various joint use arrangements, updated for 2024. The costs labelled “NP Non-Joint Use” are the 2024 Line Extension costs shown in Table 2. In Table 3, those costs are adjusted to reflect the impact of joint use revenue and weighted according to the relative proportions of the total support structures under the various joint use arrangements.

Table 3
Computation of Blended CIAC Line Extension Costs per Metre

Arrangement	Single-Phase Cost per metre A	Three-Phase Cost per metre A	% of Support Structures (2023) C
1. NP Non-Joint Use	\$73.19	\$96.33	20.0%
2. NP and Bell Aliant Only	\$52.13	\$75.27	16.6%
3. NP and Cable Only	\$70.49	\$93.63	5.0%
4. NP, Bell Aliant and Cable	\$49.43	\$72.57	58.4%
Blended Cost⁴ ($\Sigma(A \times C)$)	\$55.68	\$78.82	
Rounded Cost	\$56	\$79	

The distribution cost factors shown in Table 1, and in Schedules A and B, do not include the costs of clearing land or obtaining easements. The brush clearing cost per metre has increased from \$4.75 to \$5.25 and the easement charge remains at \$450.⁵

Schedule C – Distribution Plant Support for General Service CIACs

Schedule C provides the distribution plant support table that is used to determine the additional load-based investment in computing CIACs for General Service customers with a demand exceeding 10 kW. The load-based investment is deducted from the amount to be charged to the customer, since a portion of the distribution primary cost is recovered through rates.⁶

The 2024 update of the distribution plant support table shows a decrease in plant support of approximately 4%. This decrease in plant support is primarily a result of a decrease in the distribution primary costs recovered through rates as indicated by the Company’s 2022 cost of service study.

Schedule D – Distribution Plant Upgrade Costs for General Service CIACs

Schedule D shows the additional costs that may be applicable in determining a CIAC for General Service customers requiring a distribution plant upgrade. These upgrade costs are in addition to construction costs derived from the cost per metre to upgrade the main line as set out in Schedule B.

The upgrade costs related to service drops, distribution secondary, pole guy wires, and street lighting ranged from 0% to 12%. The upgrade costs related to transformer mountings and replacing and installing poles and anchors ranged from 9% to 27%. This is primarily due to the cost of purchasing and installing poles and anchors and the cost of other distribution materials.

⁴ For example, the Single-Phase Cost per metre of \$55.68 is approximately equal to $(\$73.19 \times 20.0\%) + (\$52.13 \times 16.6\%) + (\$70.49 \times 5.0\%) + (\$49.43 \times 58.4\%)$.

⁵ The change in brush clearing charges in 2024 is largely attributable to higher contractor costs associated with vegetation management.

⁶ The distribution secondary, transformation, services and metering costs are included in the Basic Investment which does not require a CIAC.

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

AN ORDER OF THE BOARD

NO. P.U. ____ (2024)

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 a filing by Newfoundland Power Inc. in accordance with Order No. P.U. 4 (1997-98) to update the cost factors used in its Contribution in Aid of Construction Policy.

WHEREAS Newfoundland Power Inc. (“Newfoundland Power”) is a corporation duly organized and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act*, and is also subject to the provisions of the *EPCA*; and

WHEREAS Order No. P.U. 4 (1997-98) required, among other things, that:

Newfoundland Power file annually, together with an affidavit, a schedule of current costs, and the effective CIAC Policy appendices entitled, Distribution Plant Upgrade Cost for CIACs, and both Residential and General Service Distribution Line Cost per Metre for CIACs; and

WHEREAS on January 31, 2024 Newfoundland Power submitted an update to the cost factors used in its Contribution in Aid of Construction (“CIAC”) Policy to be effective **[date five days following Board approval,]** including:

- i) Revised Schedule A, Distribution Line Cost per Metre for Domestic CIACs (Appendix A, page 1 of 1, to the Domestic Policy);
- ii) Revised Schedule B, Distribution Line Cost per Metre for General Service CIACs (Appendix A, page 1 of 1, to the General Service Policy);
- iii) Revised Schedule C, Distribution Plant Support Table for General Service CIACs (Appendix B, page 1 of 1, to the General Service Policy);
- iv) Revised Schedule D, Distribution Plant Upgrade Cost for General Service CIACs (Appendix C, page 1 of 1, to the General Service Policy); and

WHEREAS the current CIAC Policy of Newfoundland Power effective January 26, 2023 was approved in Order No. P.U. 1 (2023); and

WHEREAS the Board has reviewed the Schedules submitted by Newfoundland Power, as well as the supporting information received with respect to these Schedules, and is satisfied the revised cost factors should be approved.

IT IS THEREFORE ORDERED THAT:

1. The revised cost factors as set out in Schedules A, B, C and D to this Order are approved to be used in the calculation of all CIACs effective from **[date five days following date of order]** and, where advantageous to the customer, on all CIACs quoted but unpaid as of **[date five days following date of order]**.
2. Newfoundland Power submit a revised CIAC Policy in its entirety incorporating the revisions approved herein.
3. Newfoundland Power shall pay the expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador, this day of 2024.

Jo-Anne Galarneau
Executive Director and Board Secretary