Q. (Reference CA-NP-029) Regarding the Relocate/Replace Distribution Lines for Third Parties program:

a) Please confirm that all expenditure through this program is due to third party requests and that each such party makes a contribution to the work it requested.

b) What is the rationale for not charging each party the full capital cost of the capital work requested?

c) For future inquiry, will NP begin recording the contributions from third parties for work through this program?

A. a) It is confirmed.

b) The *Relocate/Replace Distribution Lines for Third Parties* program is necessary to accommodate third-party requests to relocate or replace distribution lines. Customer requests made under this program are governed by Clause 9(c) of the Company's *Schedule of Rates, Rules and Regulations*.[1]

Clause 9(c) provides that, when a customer requests the relocation of a Newfoundland Power facility, the customer is required to pay for the estimated cost of the relocation, less any betterment.

A betterment credit is applied against the cost of a distribution line relocation or replacement and reduces the amount of contribution required from the third party. The betterment credit is applied to ensure the third party pays only for the portion of the work that restores the distribution line to its original state at the time of the relocation request. Any improvements beyond the original state of the distribution line, such as the replacement of older equipment with new equipment, are considered beneficial to all customers served by the distribution line and are therefore not the responsibility of the third party.[2]

c) The Company's current practice for recording contributions is in accordance with long-standing Board-approved practices, including the following:

1. Upon receipt, Newfoundland Power records all contributions directly to a general ledger account within its current *System of Accounts* approved by the Board.[3]

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[1] See the Company's *Schedule of Rates, Rules and Regulations*, Effective July 1, 2025, page 8, section 9(c).

[2] For example, if a third party requires a recently constructed distribution line serving a residential or commercial area to be relocated, the third party would receive a relatively small betterment credit, if any, since the existing distribution line is in new condition and is many years away from needing to be replaced. Alternatively, if a third party requires a relatively old distribution line nearing the end of its useful service life to be relocated, the third party would receive a higher betterment credit since the relocated section of distribution line would soon need replacement to continue to provide reliable service to customers served by the line regardless of the third-party relocation or replacement request.

[3] See Newfoundland Power's *2024 Annual Report to the Board, System of Accounts Revised*, page 19.

2. The total contributions received from customers or government entities as well as the annual amortization calculated on outstanding balances are reconciled and provided in Return 7 of the Company's *Annual Reports to the Board*, as directed by the Board.[4]

3. The total unamortized contribution balance each year is deducted from Newfoundland Power's net plant investment in the calculation of its rate base and reported in Return 3 of the Company's *Annual Reports to the Board*, as directed by the Board.[5]

Recording contributions directly to a specific capital program is not in compliance with current direction from the Board. As such, Newfoundland Power plans to continue its current practice for recording contributions.

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4 *Ibid.* page 51.
5 See Newfoundland Power's *2024 Annual Report to the Board, Return 3*, page 1 of 1 for the calculation of net plant investment.