Office of the Consumer Advocate

August 17, 2026

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

Attention: Mike McNiven, Board Secretary

Dear Mr. McNiven:

Re: Newfoundland Power Inc. – Application for Approval of Capital Expenditures Supplemental to Newfoundland Power Inc.'s 2026 Capital Budget Application and Customer Contributions in Relation to the Supplemental Capital Expenditures (Transmission Line 147L Relocation)

On July 31, 2026, Newfoundland Power Inc. ("Newfoundland Power" or the "Company") filed with the Public Utilities Board (the "Board") an Application for approval, pursuant to Section 41(3) of the Public Utilities Act (the "Act"), of capital expenditures of $4,257,000 necessary to relocate a portion of transmission line 147L, and for approval, pursuant to Section 41(5) of the Act, of a contribution of $2,965,460 (excluding HST) from New Found Gold Corp. ("New Found Gold") toward the cost of that relocation, less any betterment (the "Application").

New Found Gold requested the relocation of a 6.5-kilometre section of transmission line 147L to accommodate development of its Queensway Gold Project near the town of Appleton. Newfoundland Power considers the request to be a relocation request under clause 9(c) of its Schedule of Rates, Rules & Regulations, which requires a customer requesting a relocation to pay the associated costs, less any betterment. New Found Gold has made a similar request to Newfoundland and Labrador Hydro ("Hydro") respecting Hydro's adjacent transmission line TL210, which is the subject of a separate application.

This document conveys the comments of the Consumer Advocate.

The Consumer Advocate has no objection to the Board's approval of the proposed capital expenditure of $4,257,000. New Found Gold's request, the absence of a viable alternative to relocating the affected section of 147L, and the schedule constraints associated with the Queensway Gold Project are reasonably set out in the Application and support the need for, and timing of, the proposed work.

The Consumer Advocate's comments therefore focus on the proposed contribution amount, and in particular on the betterment credit that Newfoundland Power has deducted in calculating that contribution.

The Proposed Betterment Credit Is Not Adequately Explained

As a matter of principle, the Consumer Advocate accepts that costs associated with legitimate betterment may reasonably be deducted from the relocation costs attributable to a requesting customer. Betterment, generally understood, refers to the incremental benefit accruing to a utility (and, in turn, its customers) where infrastructure being replaced at a customer's request provides value to the utility relative to the facilities that would otherwise have remained in service – for example, through increased capacity, improved functionality or reliability, reduced future costs, or an extension of the remaining useful life of the facilities. This treatment is consistent with conventional utility cost-allocation principles, under which the party causing a relocation bears the costs attributable to that relocation, while the utility and its customers bear the costs associated with any incremental betterment they retain. The Consumer Advocate does not take issue with the recognition of betterment in principle. The issue is whether the specific betterment credit proposed in the Application reasonably measures the benefit, if any, arising from the premature replacement of the existing facilities.

Newfoundland Power's treatment of other recent transmission relocations illustrates that its approach to betterment varies according to the circumstances of each case, without an explained, consistent methodology. In its 2026 application respecting the relocation of line 102L for the same Queensway Project, Newfoundland Power determined that no betterment applied because 102L is a radial line serving an individual customer and does not provide system-wide benefits to other Newfoundland Power customers; New Found Gold was accordingly responsible for the full estimated construction cost of \$803,620. By contrast, in Newfoundland Power's 2025 application to relocate lines 38L and 39L at Hydro's request, Newfoundland Power deducted a \$597,500 "Remaining Life Credit" from an estimated \$1.610 million construction cost, resulting in a contribution from Hydro of \$1.012 million. In that application, Newfoundland Power disclosed the age-to-factor relationship underlying the credit – a remaining-life factor of 81.8% for a 57-year-old line and 68.9% for a 48-year-old line, interpolating to roughly 72% at age 50. Newfoundland Power has therefore previously disclosed how its remaining-life or betterment factors are derived from line age; the current Application provides no comparable disclosure.

In the current Application, Newfoundland Power proposes a betterment credit of approximately \$1,645,070, against a detailed construction cost of \$4,257,458 (plus \$353,072 for removal of the existing line), based on "a betterment factor of 66% for an average pole age of 45 years, and a replacement factor of 62%." The Application does not explain the meaning or derivation of the betterment factor or the replacement factor, how the two factors relate to one another, how they are applied to the underlying construction and removal costs, or whether this methodology is common to other Newfoundland Power relocation applications. Nor does the Application indicate whether the Board has previously considered or approved this methodology and, if so, in what proceeding or Order.

The same general absence of disclosed methodology is illustrated by Hydro's parallel application respecting the relocation of transmission line TL210, filed at New Found Gold's request for the same Queensway Project. According to that application, Hydro proposes a betterment credit of \$1,845,687 against a detailed construction cost of \$4,550,200 (plus \$197,627 for removal of the existing line), resulting in a proposed contribution of \$2,902,140, based on "a betterment factor of 79.5% for an average pole age of 50 years, and a replacement factor of 51%." Hydro's application states that TL210 is a 138 kV line originally built in 1969, that it is deemed to be in good working condition, that all deficiencies identified in a 2022 inspection have been addressed, and that, under the heading "Condition-Based Remaining Life," "the anticipated life of the relocated section of line is in excess of 50 years." The betterment and replacement factors in Hydro's application (79.5%/51%) differ materially from those in Newfoundland Power's Application (66%/62%) for a comparably-aged asset, and neither application explains its derivation or reconciles it with the other.

The lack of explanation is particularly relevant given that the betterment factor is derived from an average pole age of 45 years, without any corresponding discussion in the Application of the actual condition or expected remaining service life of the section of 147L being relocated. To the extent betterment is intended to recognize the value received by Newfoundland Power's customers from premature replacement, the condition and remaining service life of the facilities being replaced would appear directly relevant to quantifying that value, and the Application does not address this.

The amount at issue – approximately \$1.6 million of the \$4.6 million in combined construction and removal costs for this project – is relatively immaterial in the context of Newfoundland Power's overall capital program. It is nonetheless sufficient to warrant a transparent basis for its determination, particularly since the methodology applied here may also inform the treatment of future customer-requested relocations.

Recommendation

The Consumer Advocate recommends that the Board approve the proposed capital expenditure of $4,257,000. Before approving the proposed contribution of $2,965,460, however, the Consumer Advocate recommends that the Board require Newfoundland Power to file brief supplemental information addressing:

(i) the meaning, source and derivation of the betterment factor and the replacement factor, including the relationship between the two factors and how each is applied to the construction and removal costs at issue;

(ii) whether this betterment methodology has previously been approved or considered by the Board and, if so, identification of the applicable proceeding or Order; and

(iii) how the actual condition and expected remaining service life of the existing section of 147L being relocated are reflected in the betterment calculation.

Subject to that information demonstrating that the proposed betterment credit reasonably reflects the value retained by Newfoundland Power and its customers from the premature replacement of the existing facilities, the Consumer Advocate would not object to approval of the proposed contribution amount.

Please contact the undersigned if you have any questions relating to this submission.

Adrienne Ding
Interim Consumer Advocate
323 Duckworth Street, P.O. Box 5955
St. John's, NL A1C 5X4
Telephone: (709) 853-5530
Email: consumeradvocate@odeaearle.ca; ading@odeaearle.ca
Fax: (709) 726-9600

Justin King
Counsel to the Consumer Advocate
Email: jking@odeaearle.ca