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NEWFOUNDLAND POWER
A FORTIS COMPANY

August 19, 2026

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

Attention: Mike McNiven
Board Secretary

Dear Mr. McNiven:

Re: Approval of Capital Expenditures Supplemental to Newfoundland Power Inc.'s ("Newfoundland Power" or the "Company") 2026 Capital Budget Application and Customer Contributions in Relation to the Supplemental Capital Expenditures (the "Application") – Reply Comments

A. Application

On July 31, 2026, Newfoundland Power filed an application seeking approval of supplemental capital expenditures necessary to relocate a portion of Transmission Line 147L at the request of New Found Gold Corp. ("New Found Gold") to accommodate its proposed gold mining development (the "Queensway Project") and for approval of a contribution in aid of construction from New Found Gold for the cost of the relocation, less any betterment.

On August 7, 2026, the Board directed that comments from parties on the Application be filed by August 14, 2026, and Newfoundland Power's Reply be filed by August 19, 2026.

Newfoundland and Labrador Hydro ("Hydro") filed comments on August 14, 2026, indicating its support for the Application.

B. Comments from the Consumer Advocate

On August 17, 2026, the Consumer Advocate filed comments, stating that it does not object to the approval of the proposed capital expenditure but recommends that the Board require supplemental information with respect to the betterment credit included in the contribution calculation before approving the proposed contribution amount. Specifically, the Consumer Advocate requests additional information regarding: (i) the meaning and derivation of the betterment factor and replacement factor; (ii) previous Board consideration of the methodology; and (iii) the manner in which the condition and remaining service life of the existing facilities are reflected in the betterment calculation. Newfoundland Power has addressed the comments of the Consumer Advocate below.

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Issues (i) and (iii)

Newfoundland Power considers the request from New Found Gold to relocate a portion of transmission line 147L to be a relocation request under clause 9(c) of its *Schedule of Rates, Rules & Regulations.* Clause 9(c) requires New Found Gold to pay for the cost of the relocation less any betterment.

A betterment credit is applied when a customer or third-party relocation request requires the replacement of existing assets with new assets. The credit compensates the requesting customer or third party for the extended life the new assets will provide compared to the existing assets, which benefits all customers served by the line.[1] As part of the New Found Gold relocation request, 67 poles from the existing line are being removed from the existing section of the transmission line and 108 new poles are required for the relocated section of the transmission line.

The betterment credit that applies to the *Transmission Line 147L Relocation Project* is applied to the cost of constructing the new section of the transmission line.[2] The betterment credit is based on: (i) a betterment factor of 66%; and (ii) a replacement factor of 62%.[3]

The betterment factor relates to the age and expected service life of the transmission line including its poles, conductors, and insulators. The betterment factor takes into account that the relocated transmission line is new compared to the 45-year age of the existing section of transmission line 147L. The betterment factor of 66% is derived from survivor curves detailed in Newfoundland Power's most recently approved Depreciation Study and reflects the amount of service life the relocated section of transmission line will gain in comparison to the 45-year-old section of transmission line that will be removed.[4] The known age of transmission line 147L and the use of the Company's most recently approved Depreciation Study ensures the betterment factor is appropriately based on the condition and remaining service life of a Newfoundland Power transmission line and transmission line components.

The replacement factor refers to the ratio of existing poles being replaced to the number of new poles required to relocate the transmission line away from the Queensway Project. In the case of 147L, a longer route is required to accommodate the third-party request. As provided above, 67

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1 See response to Request for Information CA-NP-037 filed in relation to the Company's *2027 Capital Budget Application* which discusses betterment credits as they relate to third-party requests to relocate distribution lines. While the discussion in that request for information relates to the relocation of distribution lines, the discussion surrounding betterment credit methodology is equally applicable to transmission line relocations.

2 The calculation of the betterment credit does not include costs associated with General Expenses Capitalized ("GEC") or costs associated with removal of the original section of transmission line.

3 See the Application, Schedule C – 2026 Contribution Calculation for New Found Gold, footnote 3.

4 The calculation of Newfoundland Power's depreciation expense formed part of the June 6, 2024 Settlement Agreement between Newfoundland Power, the Consumer Advocate, Hydro, the IBEW and Board Hearing Counsel. In Order No. P.U. 3 (2025), the Board accepted the Settlement Agreement recommendation for the proposed calculation of depreciation expense based on the rates in the 2019 Depreciation Study. Survivor curves, which are included in a depreciation study, are graphs that show the proportion of a population or group of assets that remain in service as they age.

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poles from the existing line are being removed from the existing section of the transmission line and 108 new poles are required for the relocated section of the transmission line. This results in a replacement factor of 62% (67 ÷ 108). Applying the replacement factor to the betterment calculation ensures that the betterment credit applicable to the third party is limited to the portion of the replacement facilities that directly replace the existing transmission line facilities. Applying the replacement factor to the cost to relocate the transmission line ensures customers are only allocated costs associated with the original length of the transmission line and that the third party is responsible for the additional cost of the longer transmission line route required to avoid the Queensway Project.

The betterment factor and replacement factor are specific to Newfoundland Power's *Transmission Line 147L Relocation Project* since they are based on the age of the transmission line and its components and the work required to relocate that section of the transmission line to a new area.

Issue (ii)

Newfoundland Power's approach to calculating betterment credits is longstanding. Assumptions used in calculating a betterment credit are updated routinely following approval of a Newfoundland Power Depreciation Study.[5] The same approach used by Newfoundland Power was most recently considered by the Board as part of Hydro's Network Additions Policy proceeding. As a part of the Network Additions Policy proceeding, Newfoundland Power, the Consumer Advocate, and the Island Industrial Customer Group were parties to a Settlement Agreement that defined the term Betterment Credit and how a Betterment Credit is to be calculated. The Settlement Agreement provides the following definition:

> **Betterment Credit:** The calculation of the Betterment Credit is based on the depreciation assumptions reflected in the determination of the Test Year revenue requirement. In calculating the Betterment Credit, the survivor curves used in the establishment of the approved depreciation rates will be utilized.[6]

Hydro's Network Additions Policy, including the definition of Betterment Credit was approved by the Board in Order No. P.U. 7 (2021).

C. Conclusion

The Application seeks approval of a third-party transmission line relocation that is required to facilitate the development of the New Found Gold Queensway Project. Hydro has stated its support of the Application. The Consumer Advocate does not object to the proposed capital expenditure and has identified no issue with the need for the project, the timing, or the application of betterment in principle. Newfoundland Power submits that the additional information included in these Reply Comments addresses the concerns raised by the Consumer Advocate.

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5 Ibid.

6 See Order No. P.U. 7 (2021), Schedule A, pages 1-2.

Accordingly, Newfoundland Power requests that the Board approve the Application as filed.

Yours truly,

Dominic Foley

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