

WHENEVER. WHEREVER.
We'll be there.



October 15, 2025

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

Re: Balancing Cost & Reliability over the Long-Term – Scope of Work

Dear Ms. Galarneau:

Please find enclosed Newfoundland Power Inc.'s *Balancing Cost & Reliability over the Long-Term – Scope of Work*, filed in accordance with Order No. P.U. 3 (2025).

If you have any questions, please contact the undersigned.

Regards,

A handwritten signature in blue ink that reads "Siobhan Donovan".

Siobhan Donovan
Manager Regulatory Affairs

Enclosures

ec. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, KC
Browne Fitzgerald Morgan & Avis

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

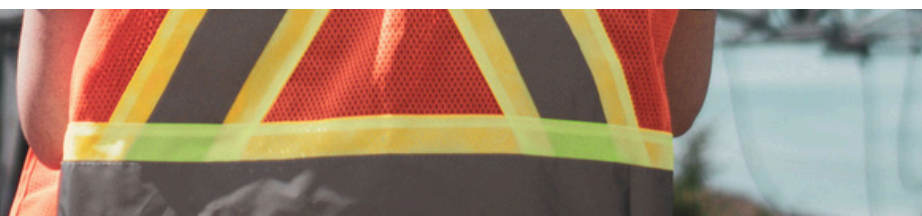
PHONE (709) 853-6251 • FAX (709) 737-2974 • sdonovan@newfoundlandpower.com



**October
2025**

**Newfoundland Power Inc.
Balancing Cost & Reliability over the Long-Term
Scope of Work**

NEWFOUNDLAND
POWER
A FORTIS COMPANY



|TABLE OF CONTENTS

1.0 INTRODUCTION..... 1

2.0 BACKGROUND..... 2

3.0 THE ASSET MANAGEMENT REVIEW AND ITS ALIGNMENT WITH THE PLAN 3

4.0 THE SCOPE OF WORK FOR THE PLAN..... 5

1.0 INTRODUCTION

The provincial power policy requires Newfoundland Power Inc. (“Newfoundland Power” or the “Company”) to manage its operations in a manner that results in power being delivered to customers at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service. Balancing these fundamental requirements has formed the basis of Newfoundland Power’s operations and is central to its planning processes. Likewise, ensuring the Company is adhering to its legislative requirements is a primary responsibility of the Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”).

In particular, the balancing of cost and reliability is regularly assessed as part of Newfoundland Power’s general rate application (“GRA”) and capital budget application (“CBA”) processes. Most recently, the balancing of cost and reliability was a central issue in the Company’s 2025/2026 GRA.

In Order No. P.U. 3 (2025) on the GRA (the “GRA Order”), the Board found that Newfoundland Power’s approach to maintaining its level of reliability is reasonable in the circumstances.¹ From a cost perspective, the Board noted that the Company’s capital investment in transmission and distribution assets has historically increased less than other Atlantic utilities.² Further, the Board believed with the approved level of operating costs for the 2025 and 2026 test years, that cost and reliability would be reasonably balanced for 2025 and 2026.³

While the Board was satisfied that cost and reliability is reasonably balanced in the current circumstances, it expressed concern that a number of emerging issues, such as electrification, climate change and aging infrastructure, could have significant implications for Newfoundland Power’s system and its customers.⁴ Further, while the Board acknowledged that the Company has asset management plans, standards, and other processes that address these issues, it was not clear to the Board that there is an overall strategic approach to manage these issues in a comprehensive, coordinated way.⁵ The Board also recognized that Newfoundland Power is currently undertaking an asset management review, though it was not clear to the Board that it would include a comprehensive approach to balancing cost and reliability.⁶

Based on its findings, the Board directed that Newfoundland Power develop an overall strategic plan that addresses how the Company approaches the balance of cost and reliability, identifying issues and challenges that may have significant potential implications for its system and customers, and potential strategies and approaches to address these issues in the short, medium and long term in a comprehensive, coordinated way (the “Plan”).⁷

The Board stated that the Plan would provide both transparency and clarity for the Board and customers with respect to Newfoundland Power’s plans and policies.⁸

¹ GRA Order, page 67, lines 30-31.

² GRA Order, page 68, lines 19-35. As provided in the 2026 CBA, this trend remains consistent updated for the period, 2014 to 2023.

³ GRA Order, page 68, lines 19-35.

⁴ GRA Order, pages 70-71.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

The Board required a scope of work for the development of the Plan to be filed by October 15, 2025.⁹

2.0 BACKGROUND

Newfoundland Power manages and operates its distribution, transmission and generation assets to deliver electricity to customers in a manner consistent with the provisions of the *Public Utilities Act* and the *Electrical Power Control Act, 1994*.¹⁰ In its efforts to balance cost and reliability, the Company must also ensure it provides services and facilities that are reasonably safe and adequate, that it provides customers with equitable access to power and that it operates in an environmentally responsible manner.¹¹

Utilities are capital intensive and operate and maintain critical infrastructure. Utilities must make strategic long-term investment decisions to deliver electricity to customers in a safe, reliable and efficient manner. Asset management is the coordinated strategic approach of a utility to maximize value from its assets by balancing performance, cost, and risk over the asset lifecycle, in alignment with its legislative requirements and organizational objectives.¹² It constantly evolves based on factors such as asset condition, performance, risk mitigation, technology advancements, compliance matters and industry best practices. Utilities work to continuously improve their asset management to achieve, and maintain, positive outcomes for customers.¹³

Consistent with utility practice, the Company's approach to balancing cost and reliability is rooted in its approach to asset management, which in turn, maximizes the efficient operation of its electricity system over the long-term.¹⁴

Newfoundland Power's asset management includes long-term strategies to manage risks such as aging infrastructure. It includes inspection and maintenance programs to manage assets throughout their lifecycle in an efficient manner.¹⁵ The Company's asset management approach works in conjunction with issue-specific plans and initiatives to manage risks such as those related to climate change, electrification and cybersecurity. It forms the basis of Newfoundland Power's five-year capital plans and ensures that the capital investments proposed for Board approval are justified, which is a cornerstone of delivering least-cost reliable service.¹⁶ The Company's asset management practices have been found to conform with good utility

⁹ Ibid.

¹⁰ For further information, see Newfoundland Power's *2026 Capital Budget Application, Capital Budget Overview*.

¹¹ Section 37(1) of the *Public Utilities Act* and Section 3 of the *Electrical Power Control Act, 1994*.

¹² As an example, see *The Institute of Asset Management, An Anatomy of Asset Management, Version 4, July 2024*, Figure 20, pages 98-99.

¹³ Ibid.

¹⁴ In addition to the commentary in this section, see section 8.1 Reliability Targets on pages 64-69 of the GRA Order.

¹⁵ For example, inspection and maintenance programs for the Company's distribution and transmission assets, including vegetation management.

¹⁶ In Order No. P.U. 7 (2002-2003), the Board stated: "*From a regulatory perspective, efficient operations, fully justified capital expenditures and a low-cost capital structure all combine to minimize revenue requirement and hence provide least cost electricity to ratepayers.*"

practice,¹⁷ and have delivered sound outcomes for its customers, including reasonable levels of service reliability, customer satisfaction and cost performance.

Consistent with the industry standard of continuous improvement, Newfoundland Power initiated an asset management review in 2022 to ensure its approach will appropriately manage emerging risks, and that it will continue to deliver sound outcomes for customers and remain aligned with good utility practice.

The Company filed an update on its asset management review as part of the Company's *2025 Capital Budget Application*.¹⁸

3.0 THE ASSET MANAGEMENT REVIEW AND ITS ALIGNMENT WITH THE PLAN

Newfoundland Power's asset management review is guided by the International Organization for Standardization ("ISO") 55000 standard on asset management.¹⁹ This standard provides guidance on industry best practice for asset management. Like most utilities, the Company is focused on aligning with the concepts of ISO 55000, as opposed to achieving certification of the standard.²⁰

It is important to recognize that asset management is much larger in scope than simply the activities undertaken by a utility to manage its assets.²¹ ISO 55000 defines asset management as the coordinated activity of an organization to realize value from assets, which involves balancing cost, performance and risk across the asset lifecycle.²² With respect to risk, the standard addresses the need to identify and assess potential risks and to establish appropriate risk management strategies.²³

The coordinated and comprehensive approach to asset management can be demonstrated in the "line of sight" concept within ISO 55000. The purpose of the line-of-sight concept is to provide greater clarity as to how asset related plans and activities work together to achieve organizational objectives.²⁴

¹⁷ See GRA Order, page 68, lines 4-8 where the Board provides that at that time of its investigation into power supply issues in 2014 that its consultant concluded that Newfoundland Power's asset management practices conformed with good utility practice and its maintenance practices were appropriate and its response effective.

¹⁸ Newfoundland Power's *2025 Capital Budget Application, 2025-2029 Capital Plan, Appendix B: Asset Management Update Report* (the "Asset Management Update Report").

¹⁹ The ISO is an independent, non-governmental international organization with a membership of 174 national standards bodies. The ISO 55000 series is the international standard for asset management, developed by the ISO. For the purposes of this document, the series of standards will be referred to as "ISO 55000" unless otherwise stated. The Company's review is also guided by The Institute of Asset Management's ("IAM") Subject Specific Guidelines which provide detailed practical guidance for key areas of asset management. IAM is an international organization that develops asset management knowledge and best practices.

²⁰ To Newfoundland Power's knowledge, Hydro Ottawa is the only Canadian electric utility certified under ISO 55001.

²¹ For example, see *The Institute of Asset Management, An Anatomy of Asset Management, Version 4, July 2024*, pages 13-14.

²² The lifecycle includes construction, operation and maintenance, and renewal or replacement.

²³ ISO 55000 provides that risk is often characterized by reference to potential events, their likelihood and potential consequences.

²⁴ For Newfoundland Power, its objectives are consistent with its legislative requirements to deliver electricity to customers that is safe, reliable and environmentally responsible in a least-cost manner.

Figure 1 shows the line-of-sight concept for asset management.²⁵

Figure 1: Asset Management Line-of-Sight



Newfoundland Power’s asset management review involves updating or developing documentation for its plans, strategies and activities along the line-of-sight using the guidance of ISO 55000 and industry best practices. The Company has engaged Asset Management Consultants Limited (“AMCL”) to assist with its review activities. Consistent with ISO 55000, the review will bring greater clarity to how Newfoundland Power’s assets are managed and operated to balance cost, performance and risk as well as to how emerging risks are identified, assessed and mitigated.

The Company acknowledges the Plan is broader in scope and a unique work product compared to the documentation that will be compiled as part of the asset management review. While different work products, the concepts are similar in each (i.e. cost, performance, risk) and both exercises will assess emerging risks and develop risk mitigation strategies. As such, it is most efficient for Newfoundland Power to complete the Plan in conjunction with its asset management review to leverage the information being compiled as part of that effort.

With respect to timing, Newfoundland Power recognizes that the Board will expect the Plan to be completed as soon as practically possible. For this reason, the Company will complete the Plan by the end of 2026. This timeline will allow for greater insight into the asset management review activities ongoing during 2026, such as the update and development of asset strategies and inspection and maintenance practices for key asset classes.²⁶ The end of 2026 timeline

²⁵ The line-of-sight concept is more fully described in the *Asset Management Update Report*.

²⁶ Key activities in the asset management review are occurring out to 2028, including updating and developing asset strategies and inspection and maintenance practices for transmission, substation and distribution assets. A high-level activities timeline was provided in the *Asset Management Update Report*.

provides an appropriate balance of information available for the Plan, and the completion of the Plan for the Board's purposes in a timely manner.

4.0 THE SCOPE OF WORK FOR THE PLAN

Table 1 provides the key activities associated with completion of the Plan, with a focus on the work incremental to that being completed as part of Newfoundland Power's asset management review.

**Table 1:
Scope of Work for the Plan**

Task	Date	Description
1	Q4 2025	Resource planning and procurement of an external consultant. The Plan will be completed by Newfoundland Power with the assistance of the external consultant.
2	Q1 2026	Identification of information gaps between Plan requirements and information available in the asset management review.
3	Q1 2026	Jurisdictional review by the external consultant of utility strategic plans similar in scope to the Plan requirements to ensure Plan contents are consistent with best practices.
4	Q2 2026	Jurisdictional research to gain an up-to-date understanding of industry cost and reliability trends as well as emerging risks and associated risk mitigation strategies of other utilities.
5	Q2 2026/ Q3 2026	Compilation of risks that could have significant potential implications for Newfoundland Power's system and customers, as well as the strategies and approaches to mitigate and manage those risks, with consideration of results in Task 4.
6	Q3 2026/ Q4 2026	Drafting of the Plan which will include, but is not limited to: (i) Newfoundland Power's strategic objectives, its approach to balancing costs and reliability, and its alignment with industry best practices; (ii) a cost and reliability analysis including industry trends and Company performance; and (iii) discussion of significant emerging issues and challenges and the strategies being employed to manage those issues in a comprehensive, coordinated way over the short, medium and long-term. ²⁷
7	Q4 2026	Completion of the Plan and filing with the Board by December 31, 2026.

²⁷ The Plan will address each issue or risk identified by the Board in the GRA Order, *Section 8: Balancing Cost and Reliability*, pages 64-71.