Sep	tember 20, 2004 Mult	II-Pa	age ^m NF Power 2005 Capital Budget Application
	Page 1		Page 2
1 5	September 20, 2004	1	intervene in this hearing, they subsequently
	9:59 a.m.)	2	
1	CHAIRMAN:	3	
4	Q. Good morning. I guess there's no doubt	4	
5	according to the screen what we're here to	5	
6	consider this morning. This is an application	6	CHAIRMAN:
7	by Newfoundland Power to seek approval of	7	
8	their 2005 capital budget. I'd like to begin	8	
9	by introducing the Commissioners. On my left	9	
10	is Commissioner Gerard Martin and on my right	10	
11	is Commissioner Walter Vincent. I see Mr.	11	
12	Alteen is here and Mr. Hayes.	12	
1	MR. ALTEEN:	12	
13 1	Q. Absolutely.	13	
	CHAIRMAN:	14	
	Q. You're both here representing Newfoundland	16	
16 17	Power. Mr. Kennedy is representing or is		MR. KENNEDY:
	Board counsel, Board hearing counsel and do we	17	
18	have any other intervenors this morning? No		
19	•	19	
20	other parties interested in making any	20	1
21	presentations or -	21	5
1	MR. KENNEDY:	22	
23	Q. Chair, I would confirm just for the record	23	1 0
24	that while Newfoundland and Labrador Hydro	24	C
25	provided notice of their intention to	25	and determine its average rate base for 2003
	Page 3	3	Page 4
1	in the amount of \$675,730,000. Approving its	1	
2	revised forecast average rate base for 2004 in	2	list so that the Clerk of the Board to take
3	the amount of \$713,072,000 and approving its	3	notice of that.
4	forecast average rate base for 2005 in the	4	Finally, Chair, I wish to confirm that
5	amount of \$740,142,000. And approving revised	5	pursuant to their mandate as the Board's
6	values for its rate base and invested capital	6	financial advisors, Grant Thornton have filed
7	for use in its Automatic Adjustment Formula	7	a report in the form of a letter dated
8	for the calculation of its return on rate base	8	September 15, 2004 just addressed to Ms.
9	for 2005 pursuant to Board Order P.U.19, 2003.	9	Doreen Dray with the Board of Commission of
10	Can confirm as well the appropriate notices	10	the Public Utilities, confirming that they
11	have been provided to the public in accordance	11	have reviewed the items of the Newfoundland
12	with the Act and specifically, public notice	12	Power capital budget and provides specific
13	of this hearing was issued to The Evening	13	
14	Telegram, The Western Star, The Northern Penn,	14	
15	The Labradorian, The Aurora and The Grand	15	
16	Falls Advertiser.	16	
17	Rules of procedure governing the matter	17	
18	have been issued to the parties and unless the	18	
19	Board orders otherwise, they are the ones that	19	
20	would regulate the operation of the proceeding	20	
21	here today. I've already confirmed that	21	
22	Newfoundland and Labrador Hydro, although	22	_
23	filing Notice of Intervention, subsequently	23	
23	withdraw or provided notice that they would	23	
25	not be intervening. I will indicate though	25	-
140	not be intervening. I will indicate though	125	frame and at the time that Grant HIOHIOH was

	Page	5	Page 6
1	MR. KENNEDY:	1	MR. KENNEDY:
2	requested to write the report and issue it,	2	2 Q. Yes, I would suggest that webecause Grant
3	those RFI's hadn't come in yet. And they	3	3 Thornton is not actually tendering it as an
4	indicate in that paragraph that these requests	4	Exhibit, I was going to suggest that we put it
5	were still outstanding at the time of the	5	in as a consent document -
6	report and "we will review the responses when	6	5 MR. ALTEEN:
7	received and provide further comments on this	7	Q. We'll consent, Mr. Chairman.
8	item, if necessary." And it's my intention as	8	3 MR. KENNEDY:
9	Board hearing counsel to contact Grant	9	Q. So it's Consent No. 1, Chair.
10	Thornton and I'll ask them to confirm in	10) CHAIRMAN:
11	writing so that it can be filed on the record	11	Q. Before you get to your opening remarks, Mr.
12	that they have completed that review of the	12	Alteen, I'd just like to finish up a few of
13	RFI's and whether there's any specific	13	the housekeeping items that I have. The
14	comments they wish to make. And I believe	14	procedure will be recorded and transcribed in
15	that's it, thank you, Chair.	15	- · · · · · · · · · · · · · · · · · · ·
16	CHAIRMAN:	16	available, I would expect, tomorrow, Ms.
17	Q. Thank you, Mr. Kennedy. Do you have anything	17	
18	to say in relation to anything Mr. Kennedy has	18	
19	said up to this point, Mr. Alteen?	19	matter will go beyond today, Mr. Alteen, that
20	MR. ALTEEN:	20	
21	Q. I have a brief opening statement, Mr. Chair,	21	
22	but are we going to mark this letter by Grant	22	2 MR. ALTEEN:
23	Thornton and put it on the record. It's	23	Q. I wouldn't want to shortchange my friend, Mr.
24	probably convenient for the purposes of	24	
25	housekeeping.	25	
	Page	7	- · ·
1	Page not, we would expect it to conclude in the		Page 8
1 2	not, we would expect it to conclude in the	1	Page 8 through her, so that a record is properly
2	not, we would expect it to conclude in the morning.		Page 8 through her, so that a record is properly maintained. And having said that, unless
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			111 I ower 2000 Cupital Duager Application
	Page 9		Page 10
1 MF	R. ALTEEN:	1	capital budget. He is the gentleman who has
2	practice that it is approved, the previous	2	ultimate responsibility for the infrastructure
3	year's rate base is approved at the next	3	of Newfoundland Power, the electrical system
4	capital budget hearing, so there's nothing	4	infrastructure and the maintenance, the
5	unusual there.	5	operation and the construction of it. He will
6	In terms of the third matter in which we	6	be using a Power Point presentation and you
7	seek an order, Mr. Chairman, it's the approval	7	can see the first slide up on the screen. We
8	of revised values for rate based invested	8	anticipate that his presentation will be in
9	capital for use in the Automatic Adjustment	9	the order of an hour so it will conveniently
10	Formula. The Automatic Adjustment Formula as	10	meet the schedule, Mr. Chairman, that you've
11	Mr. Kennedy has indicated will establish the	11	indicated, give or take 15 minutes. That
12	allowed return on rate base for Newfoundland	12	Power Point presentation has been filed with
13	Power for 2005 and that formula was approved	13	the Board, it was filed on Friday past. We
14	by this Board at Newfoundland Power's 2003	14	may wish to mark it for the purposes of this
15	General Rate Application. Mr. Chairman, that	15	proceeding and I'd ask Ms. Blundon now if it's
16	application is brought under Section 80 of the	16	a convenient time to mark it. Perhaps, PD NO.
17	Public Utilities Act which is the fundamental	17	1, seeing it's Mr. Delaney's Exhibit.
18	entitlement of the utility to earn a	18	The second witness you're going to hear
19	reasonable return on its rate base.	19	from today, Mr. Chairman, is going to be Mr.
20	Today, the Board shall hear evidence from	20	Peter Collins. He's Newfoundland Power's
20	three company witnesses, Mr. Chairman. The	20	Manager of Information Systems. He will speak
22	first witness will be Mr. Phonse Delaney, he's	22	to the information technology expenditures
22	Newfoundland Power's Vice President,	22	proposed in the 2005 capital budget. This
	Engineering and Operations. He will speak to		Board has heard from Mr. Collins for the last
24 25	the majority of the expenditures in the	24 25	number of years and it's routine that we bring
23	the majority of the expenditures in the	23	number of years and it's fourne that we offing
	Page 11		Page 12
1	in a specialist in information technology to	1	appropriate comfort so it can grant the orders
2	in a specialist in information technology to speak to those expenditures because they tend	2	appropriate comfort so it can grant the orders requested on that line.
2 3	in a specialist in information technology to speak to those expenditures because they tend to be a little out of the mainstream of those	2 3	appropriate comfort so it can grant the orders requested on that line. What we've asked Ms. Hutchens' evidence
2 3 4	in a specialist in information technology to speak to those expenditures because they tend to be a little out of the mainstream of those involved in maintaining, constructing and	2 3 4	appropriate comfort so it can grant the orders requested on that line. What we've asked Ms. Hutchens' evidence to focus primarily on in this proceeding, Mr.
2 3	in a specialist in information technology to speak to those expenditures because they tend to be a little out of the mainstream of those involved in maintaining, constructing and operating the electrical system.	2 3	appropriate comfort so it can grant the orders requested on that line. What we've asked Ms. Hutchens' evidence to focus primarily on in this proceeding, Mr. Chairman, is the issue of the amortization
2 3 4	in a specialist in information technology to speak to those expenditures because they tend to be a little out of the mainstream of those involved in maintaining, constructing and operating the electrical system. The third witness today will be Ms. Lisa	2 3 4	appropriate comfort so it can grant the orders requested on that line. What we've asked Ms. Hutchens' evidence to focus primarily on in this proceeding, Mr. Chairman, is the issue of the amortization period for the unfunded liability associated
2 3 4 5	in a specialist in information technology to speak to those expenditures because they tend to be a little out of the mainstream of those involved in maintaining, constructing and operating the electrical system. The third witness today will be Ms. Lisa Hutchens, Mr. Chairman. She is Newfoundland	2 3 4 5	appropriate comfort so it can grant the orders requested on that line. What we've asked Ms. Hutchens' evidence to focus primarily on in this proceeding, Mr. Chairman, is the issue of the amortization period for the unfunded liability associated with Newfoundland Power's defined benefit
2 3 4 5 6	in a specialist in information technology to speak to those expenditures because they tend to be a little out of the mainstream of those involved in maintaining, constructing and operating the electrical system. The third witness today will be Ms. Lisa Hutchens, Mr. Chairman. She is Newfoundland Power's Vice President Finance and Chief	2 3 4 5 6	appropriate comfort so it can grant the orders requested on that line. What we've asked Ms. Hutchens' evidence to focus primarily on in this proceeding, Mr. Chairman, is the issue of the amortization period for the unfunded liability associated with Newfoundland Power's defined benefit pension plan. And that's the very issue that
2 3 4 5 6 7	in a specialist in information technology to speak to those expenditures because they tend to be a little out of the mainstream of those involved in maintaining, constructing and operating the electrical system. The third witness today will be Ms. Lisa Hutchens, Mr. Chairman. She is Newfoundland Power's Vice President Finance and Chief Financial Officer. She will speak to the	2 3 4 5 6 7	appropriate comfort so it can grant the orders requested on that line. What we've asked Ms. Hutchens' evidence to focus primarily on in this proceeding, Mr. Chairman, is the issue of the amortization period for the unfunded liability associated with Newfoundland Power's defined benefit pension plan. And that's the very issue that Mr. Kennedy referred to that Grant Thornton
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Page 13		Page 14
1 MR. KENNEDY:	1	would have been filed with the application.
	$\begin{vmatrix} 1 \\ 2 \end{vmatrix}$	
2 -or the appropriateness of the current	2	And the rest is in the response to PUB-37 NP
3 amortization period. Mr. Chairman, we're four	3	which is a detailed seven part information
4 or five years away from the end of a 25 year	4	request from Board staff which deals with the
5 amortization period which commenced in 1984	5	matter in which Mr. Brushett is currently
6 when that pension plan was created. And that	6	assessing.
7 period we will not be suggesting be changed in	7	Mr. Chairman, so there's no proposal to
8 any way. It is prudent and it remains in the	8	change the status quo. The status quo is in
9 benefit of consumers in terms of the long	9	the customers' interest, it's the least cost
10 term, Mr. Chairman. All of this is governed	10	way to deal with the unfunded liability.
11 by pension laws and regulations and involves	11	Nevertheless, Newfoundland Power thinks it's
12 accounting practices and Ms. Hutchens will go	12	kind of important that we actually spend a
13 through that. Board staff have raised what I	13	half hour or 45 minutes going through that on
14 think is the essential regulatory question, is	14	the record, Mr. Chairman, in a public and a
15 whether customers are well served by the	15	transparent way. And that's what Ms. Hutchens
16 current amortization or might they be better	16	will principally be doing.
17 served by a longer amortization period.	17	At the conclusion of the hearing, Mr.
18 Mr. Chairman, the staff's question is a	18	Chairman, I'm pretty confident I'll be
19 reasonable one. Ms. Hutchens' direct evidence	19	submitting to you that the evidence before you
20 today will summarize Newfoundland Power's view	20	in totality will justify the Board's approval
21 on this and it will essentially set out and	21	in Newfoundland Power's 2005 capital budget in
22 summarize what's in the record before you	22	the amount of \$48,141,000; the Board's
23 today. And part of that is in the report on	23	approval of Newfoundland Power's 2003 rate
24 deferred charges and rate base and the report	24	base as filed, and the Board's approval of the
25 on the amortization of pension funding which	25	revised values we used the Automatic
Page 15		Page 16
1 Adjustment Formula. All is filed. Mr.	1	a Power Point presentation you are about to
2 Chairman, that concludes my opening remarks.	2	give to the Board?
3 I'd like to introduce Ms. Colleen Combdon who	3	A. Yes, I have.
4 is the lady behind the screen over there and	4	Q. And you have supervised a preparation of all
5 is providing us with the technical assistance	5	matters that have been filed with this Board
6 and should there be any call or need to call	6	relating to the engineering and operation of
7 up documents, obviously, you can direct that	7	maintenance of Newfoundland Power's electrical
8 request to Ms. Combdon and she's fully able	8	infrastructure?
9 and competent to do that. And with that, Mr.	9	A. Yes, I have.
10 Chairman, if there's nothing arising, it would	10	Q. And that includes a report filed in the
be time to call our first witness, Mr. Phonse	11	principle filing and the responses to
12 Delaney.	12	information requests?
13 CHAIRMAN:	13	A. Yes.
14 Q. Very good. Mr. Delaney.	14	Q. And do you adopt the totality of this as your
15 (10:15 a.m.)	15	evidence in this proceeding?
16 MR. ALPHONSUS DELANEY (SWORN)	16	A. Yes, I do.
17 CHAIRMAN:	17	Q. Mr. Delaney, would you give the Board a little
18 Q. Carry on, Mr. Alteen.	18	bit of an idea of your background, please.
19 MR. ALTEEN:	19	A. Good morning, Chairman and Commissioners. I
	1	-
20 Q. Mr. Delaney, you are a professional engineer	20	have worked with Newfoundland Power for 17
	20 21	
21 and the Vice President Engineering and		years. During my career I have worked
and the Vice President Engineering andOperations with Newfoundland Power?	21 22	years. During my career I have worked throughout the company. I've worked in
 and the Vice President Engineering and Operations with Newfoundland Power? MR. DELANEY: 	21 22 23	years. During my career I have worked throughout the company. I've worked in Operations as an electrical engineer, I've
and the Vice President Engineering andOperations with Newfoundland Power?	21 22	years. During my career I have worked throughout the company. I've worked in

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September 20, 2004]
1 MD DELANEY.	Pa

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	Page 17		Page 18
1 N	IR. DELANEY:	1	10,000 kilometers of transmission and
2	I've been involved in all aspects of	2	distribution lines, approximately 250,000
3	engineering and operations of Newfoundland	3	poles, 137 substations and 23 hydro electric
4	Power and as well, I've worked as a system	4	plants. We have employees and equipment
5	planning engineer in some of our planning	5	positioned across the island in the 23
6	functions at our head office.	6	communities indicated on the map. We need to
7	On the corporate level, I've led a number	7	maintain a presence throughout the island to
8	of initiatives. I've negotiated the	8	ensure good customer service for both our
9	operations and engineering practices of the	9	urban and our rural customers. Newfoundland
10	Aliant pole deal, and I directed the out	10	Power is a capital intensive business. Over
11	sourcing of telecommunications and	11	the years we have spent over one billion
12	transportation functions that are not core to	12	dollars to build this electrical system.
13	our business.	13	In this application, we are requesting
14	Q. Mr. Delaney, thank you for your background.	14	the approval of the Board to spend
15	Now, would you please begin your presentation.	15	\$48,141,000. In the remainder of the
16	And, Mr. Chairman, I've purposely not	16	presentation I will take the Board through
17	punctuated this with a lot of questions on the	17	these three items. First, I'll discuss the
18	assumption that you'd rather hear from Mr.	18	2005 capital plan. That is a plan that we
19	Delaney than me.	19	filed with this application. It's our long
20	A. I will start my presentation by giving the	20	term plan that takes us out to 2009. Then
21	Board a brief overview of Newfoundland Power.	21	I'll move into the specifics of the 2005
22	This map highlights our service territory. We	22	capital budget. Here, I will describe and
23	serve approximately 222,000 customers in over	23	explain the major projects that we have
24	600 communities on the island portion of the	24	upcoming next year. And I'll finish with an
25	province. Our system is comprised of over	25	explanation of the 2004 capital expenditure
			1 1 1
	Page 10		Page 20
	Page 19 variances		Page 20 have ranged from a low of \$42.8 million in
1	variances.	1	have ranged from a low of \$42.8 million in
2	variances. Q. Okay, Mr. Delaney, now would you take us to	1 2	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And
2 3	variances. Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan?	1 2 3	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252
2 3 4	variances.Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan?A. The Capital Plan is contained in Volume 1 of	1 2 3 4	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252 million dollars during the 2005 through to the
2 3 4 5	variances.Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan?A. The Capital Plan is contained in Volume 1 of the pre-filed application. In developing the	1 2 3 4 5	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252 million dollars during the 2005 through to the 2009 period.
2 3 4 5 6	variances.Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan?A. The Capital Plan is contained in Volume 1 of the pre-filed application. In developing the plan, I was particularly mindful in two areas,	1 2 3 4 5 6	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252 million dollars during the 2005 through to the 2009 period. The Capital Expenditures Plan from 2005
2 3 4 5 6 7	variances.Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan?A. The Capital Plan is contained in Volume 1 of the pre-filed application. In developing the plan, I was particularly mindful in two areas, two key areas; their affordability and	1 2 3 4 5 6 7	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252 million dollars during the 2005 through to the 2009 period. The Capital Expenditures Plan from 2005 to 2009 are reasonably stable from year to
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2 3 4 5 6 7 8 9	 variances. Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan? A. The Capital Plan is contained in Volume 1 of the pre-filed application. In developing the plan, I was particularly mindful in two areas, two key areas; their affordability and deliverability. Affordability is top of mind, in that capital expenditure has an impact on 	1 2 3 4 5 6 7 8 9	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252 million dollars during the 2005 through to the 2009 period. The Capital Expenditures Plan from 2005 to 2009 are reasonably stable from year to year. We can see that in 2006 and 2007 there is some upward pressure. This is because of
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 variances. Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan? A. The Capital Plan is contained in Volume 1 of the pre-filed application. In developing the plan, I was particularly mindful in two areas, two key areas; their affordability and deliverability. Affordability is top of mind, in that capital expenditure has an impact on customer rates. So it's therefore important that we exercise the prudent judgment necessary to balance the needs to maintain a safe and reliable power system with a goal of stabilizing rates through customers. And second, I'm mindful of deliverability. I want a budget that can be delivered and executed in a productive manner. This is the chart contained on page 2 of the Capital Plan. The chart shows the historical capital expenditures from 2000 to present, as well as the forecast expenditures out to 2009. Given the extraordinary nature 	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252 million dollars during the 2005 through to the 2009 period. The Capital Expenditures Plan from 2005 to 2009 are reasonably stable from year to year. We can see that in 2006 and 2007 there is some upward pressure. This is because of the large project in those two years to refurbish the Rattling Brook hydro plant, and I'm going to go into detail on that particular project later in the presentation. This is the chart on page 3 of the Capital Plan. This chart shows our capital expenditures by origin, excluding the Aliant pole purchase. What I'm showing here are the main drivers behind the capital program. Note that there is a relative consistency from year to year among the various drivers of the capital expenditure and the drivers are listed below: the plant replacement, system
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 variances. Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan? A. The Capital Plan is contained in Volume 1 of the pre-filed application. In developing the plan, I was particularly mindful in two areas, two key areas; their affordability and deliverability. Affordability is top of mind, in that capital expenditure has an impact on customer rates. So it's therefore important that we exercise the prudent judgment necessary to balance the needs to maintain a safe and reliable power system with a goal of stabilizing rates through customers. And second, I'm mindful of deliverability. I want a budget that can be delivered and executed in a productive manner. This is the chart contained on page 2 of the Capital Plan. The chart shows the historical capital expenditures from 2000 to present, as well as the forecast expenditures out to 2009. Given the extraordinary nature of the Aliant pole purchase, we've highlighted 	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\\23\end{array} $	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252 million dollars during the 2005 through to the 2009 period. The Capital Expenditures Plan from 2005 to 2009 are reasonably stable from year to year. We can see that in 2006 and 2007 there is some upward pressure. This is because of the large project in those two years to refurbish the Rattling Brook hydro plant, and I'm going to go into detail on that particular project later in the presentation. This is the chart on page 3 of the Capital Plan. This chart shows our capital expenditures by origin, excluding the Aliant pole purchase. What I'm showing here are the main drivers behind the capital program. Note that there is a relative consistency from year to year among the various drivers of the capital expenditure and the drivers are listed below: the plant replacement, system additions, information systems, etcetera.
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 variances. Q. Okay, Mr. Delaney, now would you take us to the 2005 Capital Plan? A. The Capital Plan is contained in Volume 1 of the pre-filed application. In developing the plan, I was particularly mindful in two areas, two key areas; their affordability and deliverability. Affordability is top of mind, in that capital expenditure has an impact on customer rates. So it's therefore important that we exercise the prudent judgment necessary to balance the needs to maintain a safe and reliable power system with a goal of stabilizing rates through customers. And second, I'm mindful of deliverability. I want a budget that can be delivered and executed in a productive manner. This is the chart contained on page 2 of the Capital Plan. The chart shows the historical capital expenditures from 2000 to present, as well as the forecast expenditures out to 2009. Given the extraordinary nature 	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	have ranged from a low of \$42.8 million in 2000 to a high of 60.3 million in 2003. And the company plans to invest approximately 252 million dollars during the 2005 through to the 2009 period. The Capital Expenditures Plan from 2005 to 2009 are reasonably stable from year to year. We can see that in 2006 and 2007 there is some upward pressure. This is because of the large project in those two years to refurbish the Rattling Brook hydro plant, and I'm going to go into detail on that particular project later in the presentation. This is the chart on page 3 of the Capital Plan. This chart shows our capital expenditures by origin, excluding the Aliant pole purchase. What I'm showing here are the main drivers behind the capital program. Note that there is a relative consistency from year to year among the various drivers of the capital expenditure and the drivers are listed below: the plant replacement, system

September 20, 2004	ber 20, 2004
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	Page 21		Page 22
1 1	MR. DELANEY:	1	replacement, the next big driver of capital
2	Approximately 60 percent of the capital	2	expenditure is the customer sales growth.
3	expenditures are for straight plant	3	This expenditure is relatively straightforward
4	replacements. That's about 30 million dollars	4	to understand. Each year we connect new
5	per year spent on replacing the aging	5	customers to the grid. That requires
6	infrastructure and equipment of the power	6	investments in the distribution system, in the
7	system. As I mentioned before, Newfoundland	7	poles and wires and equipment required to
8	Power has spent over one billion dollars to	8	provide service to customers. Based on our
9	build this electrical system and as this large	9	current forecast of economic growth, customer
10	and complex infrastructure continues to age,	10	sales growth will require just over 20 percent
11	it deteriorates and as a consequence it will	11	of all capital expenditure or about 11 million
12	become less safe and less reliable and more	12	dollars annually for the next five years.
13	expensive to operate and maintain. So we have	13	The plan delivers stable capital
14	our asset management program in place that	13	expenditures over the next five years. It
15	seeks to extend the service life of our assets	15	provides for customer growth and ensures our
	as long as practical. And we do this through	15	power system continues to be safe and
16 17	routine inspections and regular maintenance.	17	reliable. We have, however, identified three
	And that's all based on the premise of finding		
18		18	significant risks with this plan. First,
19	a small problem before it becomes a big	19	customer and energy sales growth is a
20	problem. So at some point, however, it	20	significant risk. Should economic factors
21	becomes prudent to take the old asset out and	21	change such as customer or energy growth
22	put a new one in. We cannot run the power	22	varies from the forecast, then the capital
23	system to failure. It is unsafe and it's not	23	expenditures will change accordingly. Second,
24	the least cost for our customers to be running	24	we have a customer service system, a large,
25	the power system to failure. So after plant	25	complicated computer system. It's 13 years
	Page 23	;	Page 24
1	old. It cost over ten million dollars to	1	found in Volume 1, Schedule A of the
2	build this system and replacement could be as	2	Application. The total budget is \$48,141,000
3	high as 15 million. Although we don't	3	and it's broken down into several categories.
4	forecast that in this to replace this system	4	These categories reflect the electrical
5	in the next five years, you know, the	5	system. They reflect the way we manage and
6	technology is changing and vendor support may	6	engineer our assets in Newfoundland Power.
7	require us to revisit that plan. And Mr.	7	For example, the energy supply category
8	Peter Collins is here, our Manager of	8	includes the capital expenditures required for
9	Information Systems, he will be before the	9	our generation assets such as our hydro plants
10	Board later to explain some of the items in	10	and our thermal plants. And since
11	this area. Third, capital expenditures can be	11	Newfoundland Power is primarily a distribution
12	impacted by extreme weather events. In 1984	12	company, it's not surprising to see that the
13	and again in 1994, the company was severely	13	majority of our capital investment is on the
14	hit by sleet storms. Fortunately, we haven't	14	distribution system at \$28,635,000. I will
15	had a repeat in 2004. In 2003, Hurricane Juan	15	describe to the Board, projects in each of
16	caused enormous damage in Nova Scotia. So	16	these categories with the exception of
17	it's impossible for us to forecast these	17	information systems, which our Manager of
18	extreme weather events. That concludes the	18	Information Services, Peter Collins, will
19	2005 capital plan.	19	speak to.
20 N	AR. ALTEEN:	20	The first category is the energy supply
21	Q. Okay, Mr. Delaney, would you now take us	21	category and here is the list of the projects
22	through the proposed 2005 capital budget,	22	pertaining to the company's hydro electric and
23	please.	23	thermal power plants. In 2005, we proposed to
24	A. Mr. Chairman, this is a high level summary of	24	spend \$3,361,000 in the energy supply
25	the 2005 capital budget. This summary is	25	category. This list is also found in Volume
<u>ــــــــــــــــــــــــــــــــــــ</u>	*	1	•

	Page 25		Page 26
	DELANEY:	1	150 dams and we adhere to the Canadian Dam
2	1, Schedule B, page 1 of the Application.	2	Association guidelines to manage and engineer
3	There are three major projects in the	3	these assets. These are rigorous guidelines
4	category; the hydro plant facility	4	and they are the predominant standard in use
5	rehabilitation project at \$1,887,000; the	5	across the country. So if I take you to the
6	Wesleyville gas turbine overhaul at	6	slide here, this is an earth filled dam. This
7	\$1,124,000; and the Rattling Brook hydro plant	7	would be the upward face here holding back the
8	refurbishment at \$350,000. I'll now go	8	water on Fenelons Pond. And this here is the
9	through each project individually.	9	spillway of the dam. Now when you look at
10 (10:	30 a.m.)	10	this dam, if it were in good shape, you would
11	The hydro plant facility rehabilitation	11	see large boulders on the upstream face and
12	project consists of a number of items, the	12	along the crest of the dam. What we have here
13	largest of which is a refurbishment of	13	is just a large amount of erosion that's
14	Fenelons Pond dam which is shown here on the	14	happened over time. Like this coffer, this
15	screen. This dam is part of our Seal Cove	15	wooden wall through the dam here should not be
16	hydro system on the Avalon Peninsula and was	16	exposed. So you got all your what they call
17	originally built in 1946. The estimated cost	17	riffraff, it's a largelarge boulders have
18	to refurbish this dam is \$390,000.	18	all eroded or, you know, over the years have
19	Newfoundland Power operates 23 hydro plants.	19	through wave action, etcetera, have become
20	The average age of our plants is 59 years and	20	displaced and fell back into the pond. So we
21	they provide a low cost and reliable	21	need to get, you know, all this riffraff put
22	electrical energy. An item such as the	22	back on and fill done in the dam. Another
23	Fenelons Pond refurbishment will be identified	23	part here, you see significant erosion here
24	and priorized through our dam safety	24	where the water has worn away the material of
25	inspection program. We operate approximately	25	the dam and moved it back into the pond. And
	Page 27		Page 28
1	Page 27 this spillway structure is in advanced stated	1	Page 28 Wesleyville and New-Wes-Valley is the
1 2	C C	1 2	-
	this spillway structure is in advanced stated		Wesleyville and New-Wes-Valley is the
2	this spillway structure is in advanced stated of deterioration. It's a wooden structure.	2	Wesleyville and New-Wes-Valley is the community, to improve the reliability in the
2 3	this spillway structure is in advanced stated of deterioration. It's a wooden structure. This would be replaced with a concrete	2 3	Wesleyville and New-Wes-Valley is the community, to improve the reliability in the Bonavista north area. It has already
2 3 4	this spillway structure is in advanced stated of deterioration. It's a wooden structure. This would be replaced with a concrete structure. This here as well has got to be	2 3 4	Wesleyville and New-Wes-Valley is the community, to improve the reliability in the Bonavista north area. It has already demonstrated its worth. On April 25th and
2 3 4 5	this spillway structure is in advanced stated of deterioration. It's a wooden structure. This would be replaced with a concrete structure. This here as well has got to be designed to let the flood waters through	2 3 4 5	Wesleyville and New-Wes-Valley is the community, to improve the reliability in the Bonavista north area. It has already demonstrated its worth. On April 25th and April 26th, earlier this year, we lost a
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2 3 4 5 6 7	this spillway structure is in advanced stated of deterioration. It's a wooden structure. This would be replaced with a concrete structure. This here as well has got to be designed to let the flood waters through whenever you get, sort of a flood condition on this pond and it has to be designed	2 3 4 5 6 7	Wesleyville and New-Wes-Valley is the community, to improve the reliability in the Bonavista north area. It has already demonstrated its worth. On April 25th and April 26th, earlier this year, we lost a transmission line serving the Bonavista north area due to a sleet storm. And while that line was down, the gas turbine was able to
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	this spillway structure is in advanced stated of deterioration. It's a wooden structure. This would be replaced with a concrete structure. This here as well has got to be designed to let the flood waters through whenever you get, sort of a flood condition on this pond and it has to be designed specifically to get the flood water through, otherwise it will over top the dam, the flood could over top the dam and that would lead to complete failure of the dam whenever you over top. Dams are not designed to be over topped. So that's a concern with this particular structure too, that this spillway is designed to get the right amount of water through under flood conditions. There's a competitive market in Newfoundland for this type of heavy, civil construction work and we'll get this work done through least cost competitive tendering. The second project in the energy supply category is the Wesleyville gas turbine	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Wesleyville and New-Wes-Valley is the community, to improve the reliability in the Bonavista north area. It has already demonstrated its worth. On April 25th and April 26th, earlier this year, we lost a transmission line serving the Bonavista north area due to a sleet storm. And while that line was down, the gas turbine was able to provide power to the community for 21 hours. This project is needed to ensure the gas turbine remains safe and reliable. I'll take you to the slide. This is the outside of the gas turbine facility. This is the entire facility. Here we have the fuel tanks, the large building which houses the generator, the turbine and the controls. And here we have the exhaust stacks of the gas turbine. So we're movingthis is the outside of the facility. We're moving in the outside of the facility into the inside here, and this is the gas generator itself. And this is what this project is all about, it's refurbishing this
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Page 29 1 MR. DELANEY: 2 To give you some perspective on this thing, 3 itwhen we push the start button on a gas 4 generator, it goes from a stationary position 1 So, our plan next year is to unbolt this gas 2 generator and ship it off to a refurbishment 3 facility where it will be overhauled. But at 4 the same time we're going tothere's a mar	Page 30
2To give you some perspective on this thing, 32generator and ship it off to a refurbishment facility where it will be overhauled. But at	
3 itwhen we push the start button on a gas 3 facility where it will be overhauled. But at	
4 generator, it goes from a stationary position 4 the same time we're going tothere's a mar	
5 up to 4,800 revolutions per minute. It goes 5 in jet engines and we will go to the market	
6 from room temperature up to 1,100 degrees 6 and see if we get something off the shelf and	ł
7 fahrenheit in ten minutes. So it's a machine 7 compare that versus the refurbishment, to m	ake
8 that has to be very precise. Looking inside 8 sure this is all done at least cost.	
9 this machine we have aRolls-Royce, who are 9 The next project, Mr. Chairman, in the	
10 the manufacturers came and did a boroscope 10 energy supply category is the Rattling Broo	k
11 analysis inside this machine. A boroscope is 11 hydro plan refurbishment at \$350,000.	
12 a camera on the end of a fibre optic snake 12 Rattling Brook plant is located in the town of	of
13 that you can kind of get into the machine and 13 Norris Arm in central Newfoundland. Th	is
14 have a look around inside. And inside this 14 plant was built in 1958. It is our biggest	
15 machine they found corrosion on the blades and 15 hydro electric plant. It has a nominal	
to a trained eye, there's also impact damage. 16 capacity of 12.75 megawatts and its norm	al
17 Something got into this gas turbine through 17 production is 69.4 gigawatt hours per year	
18 the air intake, some small pebble or something 18 So just to put that in perspective, let's say	
19 like that and caused impact damage. The 19 at five cents a kilowatt hour, this plant	
20 equipment manufacturers tell us we should 20 produces three and a half million dollars in	
21 refurbish this unit. The corrosion iswhen 21 power every year. This project is being	
22 you think of the tolerances that a machine 22 driven by the need to refurbish the 46 year	
that goes from zero to 4,800 RPM in ten 23 old penstock, need to replace, sorry, the 46	
24 minutes has to meet, those tolerances, we 24 year old wooden penstock. And this is goin	ng
25 think it's prudent to refurbish this unit. 25 to be a big and complicated project. Our	-8
	222
-	Page 32
1 current estimate for the entire project is 1 the whole plant. We've got the surge tank	,
2 11.4 million dollars. We plan in next year in 2 this is 312 feet high. This picture is	
3 2005 to spend \$350,000 on engineering with the 4 actually spread out a bit so that we can get the surge tend into the nicture. There's core	
4 actual construction being done in 2006 and 4 the surge tank into the picture. There's some	
5 2007. Like I said, this project is being 5 rehabilitation work got to be done on this	
6 driven by the need to replace almost two 6 surge tank and if we can get it now, it will	
7 kilometers of wood state penstock. We've 7 avoid a big cost down the road, so we can g	el
8 replaced a lot of penstock over the years but 8 it as part of this overall project. And when	
9 two kilometers would represent the biggest job 9 we go into the plant, it was built in 1958,	
10 we've undertaken. This 46 year old wood state 10 there's a lot of old electronics, some old	
11 penstock is deteriorated and it must be 11 mechanical equipment. And while we have	this
12 replaced in the near term. The penstock, just 12 plant down it will give us a window of	
13to take you through the pictures here, is 2.113opportunity to get some of this old stuff	
14 to 2.3 meters in diameter. And you can see 14 done. This is the synchronizer that's	
15 the water just coming out of the penstock 15 required to synchronize the system, the plan	t
16 here. It's in an advanced state of 16 to the system to bring it back on. And it's	
17 deterioration. If you look at the penstock 17 got the vacuum tube still in it so it's	
18 here and the water is spraying out of the side 18 something that's obsolete. The surge tank	
18here and the water is spraying out of the side18something that's obsolete. The surge tank19going down to the surge tank.19just to give you an example, that's basically	
18here and the water is spraying out of the side going down to the surge tank.18something that's obsolete. The surge tank19going down to the surge tank.19just to give you an example, that's basically20There's a tremendous amount of energy in20the pressure relief device of this plant. If	
18here and the water is spraying out of the side going down to the surge tank.18something that's obsolete. The surge tank just to give you an example, that's basically 2020There's a tremendous amount of energy in 2120the pressure relief device of this plant. If this plant shuts down there has to be some v	
18here and the water is spraying out of the side going down to the surge tank.18something that's obsolete. The surge tank just to give you an example, that's basically 2020There's a tremendous amount of energy in a pipe, 2.1 to 2.3 meters thick delivering 22142021a pipe, 2.1 to 2.3 meters thick delivering megawatts of power. So this is at the end of18something that's obsolete. The surge tank 	
18here and the water is spraying out of the side going down to the surge tank.18something that's obsolete. The surge tank just to give you an example, that's basically 2020There's a tremendous amount of energy in 2120the pressure relief device of this plant. If 2121a pipe, 2.1 to 2.3 meters thick delivering 22142122megawatts of power. So this is at the end of 2322to release the pressure so the pressure actually shoots up through the penstock	
18here and the water is spraying out of the side going down to the surge tank.18something that's obsolete. The surge tank just to give you an example, that's basically 2020There's a tremendous amount of energy in 2120the pressure relief device of this plant. If 2121a pipe, 2.1 to 2.3 meters thick delivering 22142122megawatts of power. So this is at the end of22	

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	Page 33		Page 34
	DELANEY:	1	it will collapse and I certainly don't want
2	proceeds in an orderly and planned manner, in	2	that on my hands, a collapsed penstock. So
3	2005 we want to focus on engineering. Before	3	there are ways to do it. You can design a
4	one tender is let or any of the materials	4	bulkhead, certain transition joints. There
5	purchased, I want to make sure that we've	5	are things that can be done to do this in two
6	vetted this project and all the i's are dotted	6	parts and spread the capital out over time.
7	and all the t's are crossed. Just to give the	7	So we'll have to evaluate those costs and
8	Board some insight into the need to spend the	8	those risks associated with doing it in two
9	considerable time on the detailed engineering,	9	stages versus one stage. So there is a need
10	I'll just highlight one item that's got to be	10	I need the detailed engineering to ensure this
11	engineered in 2005 and there are many, many	11	project is delivered at the least cost.
12	complications in this project. Our current	12	That's our focus for next year.
13	plan envisions replacing the penstock in two	13	This is our 2005 capital budget for
14	sections. Now we're planning that way to	14	substations. This list of projectsthis is
15	limit the construction window so we can avoid	15	moving down through the list now. I'm out of
16	spillage of water. We can dam up the water so	16	energy supply into substations. This is our
17	we don't need to lose any water by narrowing	17	2005 capital budget as shown in Schedule B,
18	down the construction schedule. So we'll do	18	page two of the application. Now a substation
19	it in two sections, that's the plan. But	19	contains all the high voltage equipment such
20	there's risks associated with that that have	20	as transformers and breakers and voltage
21	to be evaluated. When you do the penstock in	21	regulators. And this equipment is used to
22	two parts you have to find a way to keep water	22	control the transmission and distribution of
23	in the top part of the penstock when you do	23	power. We managed 137 substations across the
24	the bottom part because if you let the water	24	province. In 2005 we propose to spend
25	out, if there's no water inside the penstock,	25	\$3,337,000 in the substations category. This
	•		
	Page 35		Page 36
1	Page 35 expenditure is broken down into six projects	1	Page 36 which operate circuit breakers. So this then
1 2	expenditure is broken down into six projects	1 2	which operate circuit breakers. So this then
2	expenditure is broken down into six projects as shown on the screen. Now I'm going to	2	which operate circuit breakers. So this then is basically picking up what the voltage is on
2 3	expenditure is broken down into six projects as shown on the screen. Now I'm going to describe in detail the two largest projects;	2 3	which operate circuit breakers. So this then is basically picking up what the voltage is on the line, sending a representative sample of
2 3 4	expenditure is broken down into six projects as shown on the screen. Now I'm going to describe in detail the two largest projects; the replacement and standby substation	2 3 4	which operate circuit breakers. So this then is basically picking up what the voltage is on the line, sending a representative sample of that voltage at low voltage, which in turn
2 3 4 5	expenditure is broken down into six projects as shown on the screen. Now I'm going to describe in detail the two largest projects; the replacement and standby substation equipment project at \$1,052,000 and the	2 3 4 5	which operate circuit breakers. So this then is basically picking up what the voltage is on the line, sending a representative sample of that voltage at low voltage, which in turn goes into the control system and we're able to
2 3 4 5 6	expenditure is broken down into six projects as shown on the screen. Now I'm going to describe in detail the two largest projects; the replacement and standby substation equipment project at \$1,052,000 and the distribution system feeder remote control	2 3 4 5 6	which operate circuit breakers. So this then is basically picking up what the voltage is on the line, sending a representative sample of that voltage at low voltage, which in turn goes into the control system and we're able to detect where there's problems on the line
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Discoveries Unlimited Inc., Ph: (709)437-5028

	Page 37		Page 38
1 MR	DELANEY:	1	Through this approach, we're better able
2	equipment is oil filled.	2	to manage all these big equipment items, avoid
3	So at regular intervals what we do is we	3	unnecessary work and we're reducing our
4	take samples of the oil, and this is a	4	capital cost because we're preventing
5	relatively new development for us based on new	5	premature failures of equipment. There's a
6	industry practices and new chemical analysis	6	good example. In 2002, we lost a substation
7	techniques. At regular intervals, we take	7	transformer in Burin. It failed and caused a
8	samples of the oil from the equipment and have	8	nine-hour outage. The direct cost to fix the
9	it analyzed for its chemical content at a	9	transformer was \$170,000. But that failure
10	laboratory that specializes in this type of	10	led to a chain of events as the systems
11	analysis. That oil sample will establish the	11	interconnect, as is like to do, first it
12	baseline or the fingerprint of the device. So	12	deferred the relocation of the gas turbine
13	what we do is, at regular intervals, we'll	13	from Salt Pond to Wesleyville, because we had
14	sample the oil in this equipment, and if	14	a nine-hour outage, we had customer concerns.
15	there's no change in the chemical content of	15	So we decided that we would not relocate the
16	the oil, well there's no need to haul this	16	gas turbine from Salt Pond to Wesleyville, and
17	equipment apart and do maintenance. It	17	that caused an increase in cost. And then we
18	prevents unnecessary work. But if we see a	18	bought a supplemental before the Board to
19	change in the chemical content of the oil, if	19	install a new transformer in that area to
20	there's more copper or there's more paper or,	20	provide backup for the unit that had failed.
20	you know, some change in that chemical	20	In contrast, the exact same thing
22	content, then we know there's something going	22	happened in Deer Lake a year after. We had
23	on inside the machine and that will trigger a	22	the same problem, a tap changer problem in the
23	maintenance overhaul of the equipment to	23	transformer. But this time, we picked it up
24	identify the source of the problem.	24	during an oil sample. We picked up the oil
25	Identify the source of the problem.	23	during an on sample. We picked up the on
	Page 39		Page 40
1	sample, there's something wrong with this	1	The device is either a relay or reclosures.
2	sample, there's something wrong with this unit. It was, you know, there was some change	2	The device is either a relay or reclosures. This project involves the replacement of these
2 3	sample, there's something wrong with this unit. It was, you know, there was some change in the chemical content. So we knew that. We	2 3	The device is either a relay or reclosures. This project involves the replacement of these reclosures and relays with newer, more
2 3 4	sample, there's something wrong with this unit. It was, you know, there was some change in the chemical content. So we knew that. We were able to get our portable transformer over	2 3 4	The device is either a relay or reclosures. This project involves the replacement of these reclosures and relays with newer, more technically advanced units, and the project is
2 3	sample, there's something wrong with this unit. It was, you know, there was some change in the chemical content. So we knew that. We were able to get our portable transformer over to Deer Lake, take that transformer out of	2 3	The device is either a relay or reclosures. This project involves the replacement of these reclosures and relays with newer, more technically advanced units, and the project is timely, due to the age of the existing
2 3 4	sample, there's something wrong with this unit. It was, you know, there was some change in the chemical content. So we knew that. We were able to get our portable transformer over to Deer Lake, take that transformer out of service and do the work before the transformer	2 3 4	The device is either a relay or reclosures. This project involves the replacement of these reclosures and relays with newer, more technically advanced units, and the project is timely, due to the age of the existing equipment. By the end of 2005, we will be able
2 3 4 5	sample, there's something wrong with this unit. It was, you know, there was some change in the chemical content. So we knew that. We were able to get our portable transformer over to Deer Lake, take that transformer out of service and do the work before the transformer failed. That whole thing cost us about	2 3 4 5	The device is either a relay or reclosures. This project involves the replacement of these reclosures and relays with newer, more technically advanced units, and the project is timely, due to the age of the existing equipment. By the end of 2005, we will be able to monitor and control 115 of our 300 feeders
2 3 4 5 6	sample, there's something wrong with this unit. It was, you know, there was some change in the chemical content. So we knew that. We were able to get our portable transformer over to Deer Lake, take that transformer out of service and do the work before the transformer failed. That whole thing cost us about \$30,000 and about a 15-minute outage for	2 3 4 5 6	The device is either a relay or reclosures. This project involves the replacement of these reclosures and relays with newer, more technically advanced units, and the project is timely, due to the age of the existing equipment. By the end of 2005, we will be able to monitor and control 115 of our 300 feeders from our System Control Centre, and what we're
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		111 1 ower 2005 Cupital Dudget Application
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1 MR. DELANEY:	1	five years, we conduct a climbing inspection,
2 durations, reduced costs. Just by comparison,	2	a detailed climbing inspection. The problems
3 on the feeders that we don't have this remote	3	and deficiencies that we find through that
4 control technology, we got to wait until the	4	course of inspection drive the transmission
5 customer calls in before we know there's an	5	capital budget.
6 outage. So when the customer calls in, is	6	In 2005, we propose to spend \$2,597, 000
7 that one customer? Is it localized or is it	7	on rebuilding and refurbishing transmission
8 widespread? We don't know until more	8	lines, and no new transmission lines are
9 customers call in or we dispatch the crews to	9	planned. There are three big items in this
10 go out and look. So overall this has improved	10	transmission line category and the cost in
11 our operations tremendously, this program.	11	total, \$1,550,000. And then there's a large
12 This is our transmission category,	12	number of small items totalling \$1,047,000 and
13 working down through the list of the Capital	13	these small items are small repairs on about
14 Budget, and it can be found in Schedule B,	14	50 lines. But I'll go into the three big
15 page three. Transmission lines run from	15	items in detail.
16 substation to substation. They operate at	16 (10:	:49 a.m.)
17 very high voltages. In our case, we have	17	First, we plan to rebuild an eight-
18 138,000 volt lines and 66,000 volt lines.	18	kilometre section of transmission line 43L
19 They're often remotely located, accessible by	19	that runs between the communities of Heart's
20 snowmobile or ATV. We operate 110	20	Content and New Chelsea. This line is 48
transmission lines and it has an overall	21	years old. We've extended the service line as
length of over 2,000 kilometres. 30 percent	22	long as it is prudent and we're concerned
of our transmission is more than 40 years old.	23	about the overall condition of this line that
24 We manage the transmission lines by visually	24	carries 66,000 volts.
25 inspecting every line every year and every	25	The second line we plan to rebuild is a
Page 43		Page 44
1 five-kilometre section of transmission line	1	is primarily a distribution company. It's our
2 11L that runs from our Tors Cove hydro plant	2	largest category of expenditure. We operate
3 into our Mobile substation. This line was	3	over 8,000 kilometres of distribution lines to
4 built during World War II and is now 62 years	4	serve 222,000 customers. The proposed capital
5 old and deteriorated to the point that	5	expenditures in distribution category amount
6 replacement is necessary.	6	of \$28,635,000 or 59 percent of this total
7 And finally, we plan to rebuild a five-	7	budget.
8 kilometre section of transmission line 124L	8	I'm going to approach my presentation of
9 that runs between Clarenville and Gambo. This	9	distribution in two parts. First, just to
10 line is 40 years old. The problem with the	10	take you through, I'm going to explain the
11 124L line is one of clearance. This line	11	portion of the distribution budget that's
12 operates at 138,000 volts. On this line, we	12	primarily driven by customer growth. In that
don't have enough clearance between the line	13	area, we have extensions, meters, services,
14 and the ground, particularly in winter when	14	streetlights, transformers and down here,
15 you get ice building up on the line and at the	15	feeder additions and upgrades to accommodate
16 same time you have a large amount of snow	16	growth. These are the category the projects
17 cover. We got a lot of snowmobilers that	17	are primarily driven by growth.
18 travel this particular transmission line	18	Second, I'm going to explain how we
19 corridor, as they do all of our transmission	19	manage the existing network, the existing
20 line corridors. So the adequacy of this	20	8,000 kilometres of line out there, and to do
21 ground clearance is a great concern for public	21	that, I'm going to explain the reconstruction
22 safety.	22	project, the rebuild distribution lines and
23 Mr. Chairman, this is the 2005 Capital		
•	23	the distribution reliability initiative. This
24 Budget for distribution, which is found in	23 24	is the way I kind of think of distribution,

Discoveries Unlimited Inc., Ph: (709)437-5028

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	Page 45		Page 46
1 N	IR. DELANEY:	1	in capital expenditure is needed to connect
2	running existing system as we have.	2	new homes and businesses to the power grid. A
3	Just for completeness, I'll explain the	3	new customer will require new poles, new
4	remaining items on this list. We have the	4	conductors, new wires. We have to install
5	Aliant pole purchase. That covers the 2005	5	distribution transformers. We run service
6	instalment associated with the Support	6	wires from the utility pole to the premises
7	Structures Agreement that we entered into with	7	and we install a meter. Typically for every
8	Aliant and that was brought before the Board	8	three or four customers connected to the
9	and approved by the Board in 2001 and the	9	system, there's a new street light involved.
10	final instalment will be made in 2005.	10	This is an area where we contract out the
11	We have a project here Relocate-Replace	11	majority of the line work in a competitive
12	Distribution Lines for Third Parties. It's	12	tendering process. The work involved with
13	somewhat self-explanatory. Throughout the	13	construction of distribution lines is
14	year, we'll get requests from municipalities,	14	relatively simple construction work and is
15	provincial government, federal government,	15	highly standardized. So over the years, we've
16	Aliant, cable TV, property developers, various	16	reached these costs, in terms of extending
17	requests to relocate a line and customers pay	17	service to new customers, by developing our
18	for a portion of the relocation of that line.	18	contractors and working with our contractors,
19	And we have interest during construction which	19	and we have a highly competitive market in
20	is the interest that will be charged to work	20	Newfoundland for line construction work, which
21	in progress in distribution throughout the	21	we avail of.
22	year.	22	To develop the estimates for capital
23	Let's look first at the customer growth	23	required for customer growth, we develop a
24	components of distribution. About 40 percent	24	customer growth forecast, based on economic
25	of the distribution category or \$11.4 million	25	modelling, and we consider the historical
-	8. 9. 1	-	modeling, and we constant are instanted
1	Page 47		Page 48 feeder.
	Page 47 expenditures to determine per unit costs of		Page 48
1	Page 47 expenditures to determine per unit costs of connecting new customers. In recent years,	1	Page 48 feeder. So here are the three main projects that
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		I-I age	THE I Ower 2005 Capital Dauget Application
	Page 49		Page 50
1 M	R. DELANEY:	1	line is simply not strong enough to withstand
2	feeders by SAIDI and SAIFI statistics. Now	2	the environmental conditions in which it must
3	the SAIDI, these are the statistics that are	3	operate, in terms of the high wind and ice and
4	used Canada wide. The SAIDI is the measure of	4	stuff, and you'll find lines that have
5	the number of hours that a customer is without	5	deteriorated that are away from the road, sort
6	power. And the SAIFI is simply the number of	6	of these characteristics. And these are the
7	outages that a customer experiences.	7	types of problems we found in the Wesleyville
8	So we ranked all of our feeders. Then we	8	02 and the Gander Bay 02 feeders. Over the
9	looked at each feeder individually to	9	past five years, customers on these feeders
10	determine the root cause of the poor	10	have experienced reliability three and a half
11	reliability problem. In some cases, we'd	11	times worst than the company average, and that
12	already had taken action to solve the	12	indicates to meI've travelled along these
13	reliability problem. In other cases, you find	13	feeders several times. These feeders are
14	the reliability problem may be related to	14	simply worn out.
15	trees. So there's nothing you're going to do	15	Mr. Chairman, this is thewhile the
16	in capital to address a reliability problem	16	distribution reliability project focuses on
17	related to trees. It's about tree trimming.	17	specific geographical areas, the rebuild
18	So it's not only a capital exercise. It's an	18	distribution lines project deals with problems
19	exercise in managing the whole company. But	19	that are system wide and not necessarily
20	as you work down through the list of the worst	20	geographically specific. These are problems
21	feeders by reliability, you're going to find	21	that we have everywhere on the distribution
22	these feeders that exhibit poor reliability	22	system. This project is estimated at
23	performance because the overall linebecause	23	\$4,210,000. And this slide slows some of the
24	of the overall condition of the line, overall	24	problems that are out there that we are
25	deterioration of the line, factors such as the	25	addressing under the rebuild distribution
	Page 51		Page 52
1	Page 51 lines. I'll just take you through some of	1	Page 52 ten-year warranty, a good decision that we
1 2	Page 51 lines. I'll just take you through some of these now.	1 2	Page 52 ten-year warranty, a good decision that we made and we're having good success with
1 2 3 (1	Page 51 lines. I'll just take you through some of these now. 1:00 a.m.)	1 2 3	Page 52 ten-year warranty, a good decision that we made and we're having good success with stainless steel out there with the corrosion
1 2 3 (1 4	Page 51 lines. I'll just take you through some of these now. 1:00 a.m.) Up here in this corner, we have cutouts,	1 2 3 4	Page 52 ten-year warranty, a good decision that we made and we're having good success with stainless steel out there with the corrosion problem.
1 2 3 (1 4 5	Page 51 lines. I'll just take you through some of these now. 1:00 a.m.) Up here in this corner, we have cutouts, defective cutouts. You see these out on the	1 2 3 4 5	Page 52 ten-year warranty, a good decision that we made and we're having good success with stainless steel out there with the corrosion problem. Sleeves, automatic sleeves, these are
1 2 3 (1 4 5 6	Page 51 lines. I'll just take you through some of these now. 1:00 a.m.) Up here in this corner, we have cutouts, defective cutouts. You see these out on the lines. It's a mechanical switch that opens or	1 2 3 4 5 6	Page 52 ten-year warranty, a good decision that we made and we're having good success with stainless steel out there with the corrosion problem. Sleeves, automatic sleeves, these are basically connections connecting two pieces of
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		Page 53	Page 54
1 M	IR. DELANEY:	1	typically a three-hour outage, and we blitz
2	things too, but that give you the feel for	2	the thing. We blitz the feeder with the large
3	there are a number of items out there in the	3	number of crews. We found that that approach
4	distribution system that need to be handled.	4	to rebuilding distribution lines project has
5	My chief concern with all this work is	5	been highly effective and productive. And I
6	it's a big system. There's a lot of work.	6	also note, there's a project in the
7	How do we go about it in a productive,	7	information systems budget for the development
8	methodical, planned fashion? To achieve this,	8	of a line inspections software database that's
9	our procedure is to inspect our distribution	9	going to help us further improve our
10	lines on a five-year cycle and there we'll	10	efficiency and organization of the work with
11	develop our estimates and plans for the	11	respect to this project.
12	upcoming year, and the five-year cycle is	12	The last item in managing the
13	relatively common throughout the industry.	13	distribution network is the reconstruction
14	So then what we do in executing the work	14	project. Reconstruction is used to fix
15	is we have utilized what we've come to call in	15	distribution plant that has failed or is in
16	the company as a mobile workforce. We	16	the danger of imminent failure. In this
17	assemble a large number of crews, typically,	17	picture here, we can see some storm damage
18	you know, 12 or 15, you know, the numbers va	ary 18	down in Ferryland. As a result of a storm,
19	but that magnitude of crews. We set out a	19	the cribs and the poles were washed away and
20	longer day, usually a ten-hour day. And we	20	the poles ended upthe picture is not there,
21	pre-assemble all the material, do all the	21	but the poles ended up falling down. So this
22	staging and then we'll take the power off at	22	is the type of problem that we deal with
23	the customers' convenience, you know,	23	reconstruction. When you're managing a big
24	scheduled with the customer, a lot of contact	24	network, there's a large number of items that
25	back and forth with the customer, arrange	25	will come to your attention throughout the
		Page 55	Page 56
1	year, either through inspections or otherwi		this job, keeping the power on, and doing this
2	that have to be dealt with immediately bec		job on this line. So of course, this hot line
3	they're either broken or they're in a state		gear has to have a very high standard and if
4	where a imminent failure. So far this yea		it fails any of its tests, we replace it. So
5	for example, these are typically very sma	11 5	customers are not seeing an outage in this
6	projects. There's been 160 jobs in the	6	particularfor this particular job.
7	reconstruction projects so far this year and		Mr. Chairman, in 2005, we propose to
8	the average cost of those jobs is \$8600, and		spend \$2,642,000 in the transportation
9	we estimate ourwe do our estimate for fu	ture 9	category, as seen here in Schedule B, page
10	years cost based on history.	10	six. We operate a fleet of some 400 vehicles,
11	This is the general property budget.	11	which include 80 heavy-duty vehicles, 195
12	It's found in Schedule B, page five. It's		passenger vehicles, and 125 off-road vehicles.
13	\$1,016,000 and just over two percent of t		We are essentially a mobile company. Many of
14	total budget. Newfoundland Power has		our employees, such as our line personnel,
15	offices, service buildings and district	15	technicians, meter readers, are mobile for the
16	buildings. We manage 25,000 metres of s	-	majority of the day and their workplace is on
17	and we plan to spend \$325,000 or less that		the road, in their vehicles. We will not be
18	percent of our capital on property. We		increasing the size of the fleet. We need to
19	propose to spend \$691,000 on tools an		replace seven heavy-duty vehicles, 46
20	equipment. Operating a power system req		passenger vehicles and eight small all-terrain
21	many tools, such as the hot line tools used		vehicles, such as snowmobiles. For our heavy
22	perform this complex job here. In this job		fleet vehicles, our replacement guideline is
23	the linemen have used these hot line sticks		ten years or 250,000 kilometres. For
24	hold off the energized conductor. So this		passenger vehicles, the replacement guideline
25	138,000 volts running here. So they're do	ing 25	is five years or 150,000 kilometres. And this

	Page 57		Page 58
1 1	MR. DELANEY:	1	early 90s. So these trucks now are ten plus
2	guideline initiates a review of the vehicle	2	years old and we're seeing a bubble in
3	maintenance costs, the operating history and	3	replacement of heavy-duty trucks that we
4	the overall condition of the vehicle before a	4	expect to level off in the next few years.
5	final decision is made to replace the vehicle.	5	Least cost transportation management
6	When you compare our 2005 capital budget	6	requires that we consider our fuel and
7	for transportation with history, it's about	7	maintenance costs, those operating costs, in
8	ten percent higher than the average of the	8	conjunction with the capital expenditure, and
9	past five years, and this is driven by two	9	prudent capital expenditure has been the main
10	main factors. First, there's been a	10	reason why we have been able to control our
11	consolidation amongst the heavy-line truck	11	transportation operating costs.
12	manufacturers. There are a number of the	12	The telecommunications category is
13	lower end competitors have dropped out of the	13	\$60,000, as shown in Schedule B, page seven.
14	business and we're seeing a general price	14	We do not have a telecommunications
15	increase from the manufacturers that now	15	department. It's not core to our business.
16	dominate the market. Second, in the early 80s	16	Our VHF radio system is in good working
17	andexcuse me, in the late 80s, early 90s, we	17	condition. We expect it to last to at least
18	moved into hot line work. Now that is	18	2011. There's a relatively small expenditure
19	working, as I showed in that picture, working	19	required to replace about 20 of the 340 VHF
20	on the lines, on the power lines while the	20	mobile radios that we have in operation.
21	lines were energized at high voltage. The	21	General expenses capital is \$2,800,000.
22	picture I showed you was transmission, but we	22	This is the amount of Newfoundland Power's
23	also did it on distribution. This change in	23	administrative expenses that are charged to
24	work required a new type of truck, and so we	24	capital and this is calculated in accordance
25	saw a large number of trucks come in in the	25	with Board orders.
	Page 59		Page 60
	Page 59 The unforeseen allowance is \$750.000 and	1	Page 60 Now these deferrals result from our decision
1 2	The unforeseen allowance is \$750,000 and	1 2	Now these deferrals result from our decision
	The unforeseen allowance is \$750,000 and shown in Schedule B, page nine. This		Now these deferrals result from our decision to manage the overall capital expenditure in
2	The unforeseen allowance is \$750,000 and shown in Schedule B, page nine. This allowance is used for emergencies, to cover	2	Now these deferrals result from our decision to manage the overall capital expenditure in 2004 to more closely match the overall budget
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2 3 4	The unforeseen allowance is \$750,000 and shown in Schedule B, page nine. This allowance is used for emergencies, to cover any unforeseen capital expenditures which have not been budgeted elsewhere, and the purpose	2 3 4	Now these deferrals result from our decision to manage the overall capital expenditure in 2004 to more closely match the overall budget as approved by the Board. The main driver of the increased expenditure was customer growth,
2 3 4 5	The unforeseen allowance is \$750,000 and shown in Schedule B, page nine. This allowance is used for emergencies, to cover any unforeseen capital expenditures which have not been budgeted elsewhere, and the purpose of the allowance is to permit the company to	2 3 4 5	Now these deferrals result from our decision to manage the overall capital expenditure in 2004 to more closely match the overall budget as approved by the Board. The main driver of the increased expenditure was customer growth, and we've exercised engineering judgment in
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	 The unforeseen allowance is \$750,000 and shown in Schedule B, page nine. This allowance is used for emergencies, to cover any unforeseen capital expenditures which have not been budgeted elsewhere, and the purpose of the allowance is to permit the company to act quickly to deal with an unforeseen event in advance of seeking the specific approval of the Board. And that concludes the capital budget for 2005. MR. ALTEEN: Q. Okay then, Mr. Delaney, would you now comment on the variances with respect to the current 2004 Capital Budget for the Board? A. Mr. Chairman, this big table here is the 2004 Capital Expenditure status report from Volume 1 of the pre-filed application. In column 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Now these deferrals result from our decision to manage the overall capital expenditure in 2004 to more closely match the overall budget as approved by the Board. The main driver of the increased expenditure was customer growth, and we've exercised engineering judgment in selecting these deferrals. However, there are reliability and costs risks in deferring any project. The fifth column shows the total forecasted expenditure, including deferrals, and column six shows the variance between the budget, as approved by the Board, and our forecasted expenditure. As of June 30th, we were forecasting a total of 3.2 million or approximately six percent above budget, which is consistent with the past five years. Variances from budget are unavoidable due to many circumstances.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	 The unforeseen allowance is \$750,000 and shown in Schedule B, page nine. This allowance is used for emergencies, to cover any unforeseen capital expenditures which have not been budgeted elsewhere, and the purpose of the allowance is to permit the company to act quickly to deal with an unforeseen event in advance of seeking the specific approval of the Board. And that concludes the capital budget for 2005. MR. ALTEEN: Q. Okay then, Mr. Delaney, would you now comment on the variances with respect to the current 2004 Capital Budget for the Board? A. Mr. Chairman, this big table here is the 2004 Capital Expenditure status report from Volume 1 of the pre-filed application. In column one, we have the capital expenditure category. That's the energy supply, substations, 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Now these deferrals result from our decision to manage the overall capital expenditure in 2004 to more closely match the overall budget as approved by the Board. The main driver of the increased expenditure was customer growth, and we've exercised engineering judgment in selecting these deferrals. However, there are reliability and costs risks in deferring any project. The fifth column shows the total forecasted expenditure, including deferrals, and column six shows the variance between the budget, as approved by the Board, and our forecasted expenditure. As of June 30th, we were forecasting a total of 3.2 million or approximately six percent above budget, which is consistent with the past five years. Variances from budget are unavoidable due to many circumstances. For example, the customer growth may turn out to be greater or less than forecasted during
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2 3 4 5 6 7 8 9 10 11 12 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 The unforeseen allowance is \$750,000 and shown in Schedule B, page nine. This allowance is used for emergencies, to cover any unforeseen capital expenditures which have not been budgeted elsewhere, and the purpose of the allowance is to permit the company to act quickly to deal with an unforeseen event in advance of seeking the specific approval of the Board. MR ALTEEN: Q. Okay then, Mr. Delaney, would you now comment on the variances with respect to the current 2004 Capital Budget for the Board? A. Mr. Chairman, this big table here is the 2004 Capital Expenditure status report from Volume 1 of the pre-filed application. In column one, we have the capital expenditure category. That's the energy supply, substations, transmission, et cetera. Column two is the budget, as approved by the Board. The third 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Now these deferrals result from our decision to manage the overall capital expenditure in 2004 to more closely match the overall budget as approved by the Board. The main driver of the increased expenditure was customer growth, and we've exercised engineering judgment in selecting these deferrals. However, there are reliability and costs risks in deferring any project. The fifth column shows the total forecasted expenditure, including deferrals, and column six shows the variance between the budget, as approved by the Board, and our forecasted expenditure. As of June 30th, we were forecasting a total of 3.2 million or approximately six percent above budget, which is consistent with the past five years. Variances from budget are unavoidable due to many circumstances. For example, the customer growth may turn out to be greater or less than forecasted during the budget process. Second, much of our work is refurbishment and as we get into the work,

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			Nr I ower 2005 Capital Duuget Application
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1 1	MR. DELANEY:	1	Wesleyville Gas Turbine Relocation. This
2	third, there's a time difference between the	2	project was approved in 2002 to relocate an
3	preparation of the estimate and the actual	3	under-utilized gas turbine from Burin to
4	construction, and sometimes more than a year,	4	Wesleyville to improve reliability in the
5	and in that interval, market prices change for	5	Bonavista North area. This energy supply
6	equipment, materials and contract labour.	6	project came in significantly over budget, and
7	Detailed explanations of the individual	7	the main cause of the variances can be
8	variances are pre-filed in Appendix A of the	8	summarized in two parts. First, the system
9	2004 Capital Expenditure Status Report, and	9	problems on the Burin in early 2002, due to
10	I'd like to explain the larger variances.	10	those system problems, we decided to postpone
11	The energy supply category has a forecast	11	the project for one year, due to customer
12	variance of approximately \$680,000. This is	12	concerns. We subsequently filed a
13	primarily due to increases in material and	13	supplemental budget with the Board for capital
14	engineering costs associated with the New	14	expenditure on the Burin to deal with the
15	Chelsea hydro plant refurbishment project.	15	problem there, and when that project was
16	For example, the price of steel is up	16	finished, we moved the gas turbine. This
17	significantly from when the estimate was	17	delay caused approximately \$520,000 in
18	prepared.	18	additional direct costs, plus the associated
19	The distribution category has a forecast	19	engineering, project management and
20	variance of approximately 2.5 million. This	20	supervision costs.
21	is primarily because customer growth has	21	Second, this was a very complex and
22	exceeded our expectations, particularly in the	22	complicated project. We found during the
23	Northeast Avalon.	23	course of the work that a number of the
24	One other significant variation is the	24	components of the gas turbine, that we had
25	variation associated with the 2002 project	25	originally intended to reuse, were found to be
	Page 63		Page 64
1	unusable or needed significant refurbishment.	1	reliability and safety. Many of the projects
2	This resulted in \$580,000 in additional direct	2	in this budget rely on engineering judgment
3	costs, plus the associated engineering.	3	and I lead an engineering team at Newfoundland
4	As I mentioned earlier, the gas turbine	4	Power and we have fulfilled that professional
5	is in service and has already demonstrated its	5	obligation. We operate Newfoundland Power as
6	worth, having kept the lights on for 21 hours	6	
7			a business. We manage a large network in a
	down in Wesleyville during a sleet storm on	7	planned and organized way. We have good
8	April 25th-26th. When we revisit the original	8	planned and organized way. We have good inspection programs, good maintenance
9	April 25th-26th. When we revisit the original plan where we compared the relocation of the	8 9	planned and organized way. We have good inspection programs, good maintenance programs, all based on industry best
9 10	April 25th-26th. When we revisit the original plan where we compared the relocation of the gas turbine to building a second transmission	8 9 10	planned and organized way. We have good inspection programs, good maintenance programs, all based on industry best practices, and we seek to maximize the service
9 10 11	April 25th-26th. When we revisit the original plan where we compared the relocation of the gas turbine to building a second transmission line, to installing a new generation in	8 9 10 11	planned and organized way. We have good inspection programs, good maintenance programs, all based on industry best practices, and we seek to maximize the service life of our assets. This is a proactive
9 10 11 12	April 25th-26th. When we revisit the original plan where we compared the relocation of the gas turbine to building a second transmission line, to installing a new generation in Wesleyville, when we go back and revisit that	8 9 10 11 12	planned and organized way. We have good inspection programs, good maintenance programs, all based on industry best practices, and we seek to maximize the service life of our assets. This is a proactive budget and although failures are inevitable,
9 10 11 12 13	April 25th-26th. When we revisit the original plan where we compared the relocation of the gas turbine to building a second transmission line, to installing a new generation in Wesleyville, when we go back and revisit that plan and we put in the installed cost of the	8 9 10 11 12 13	planned and organized way. We have good inspection programs, good maintenance programs, all based on industry best practices, and we seek to maximize the service life of our assets. This is a proactive budget and although failures are inevitable, we can't be reactive and be least cost a the
9 10 11 12 13 14	April 25th-26th. When we revisit the original plan where we compared the relocation of the gas turbine to building a second transmission line, to installing a new generation in Wesleyville, when we go back and revisit that plan and we put in the installed cost of the gas turbine, the actual costs, we find that	8 9 10 11 12 13 14	planned and organized way. We have good inspection programs, good maintenance programs, all based on industry best practices, and we seek to maximize the service life of our assets. This is a proactive budget and although failures are inevitable, we can't be reactive and be least cost a the same time. This budget meets the goal of
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1 (BREAK - 11:15 A.M.)	1	it will be about an hour in total. Mr.
2 (11:36 a.m.)	2	Delaney, I'd like to start off by dealing with
3 CHAIRMAN:	3	the growth driven projects in the distribution
4 Q. Mr. Alteen, are you finished with Mr. Dela	iney 4	section of your capital budget. And a good
5 for now?	5	place to start, Chair, would be to just do a
6 MR. ALTEEN:	6	review of some of the RFIs that were submitted
7 Q. He's available for cross-examination, M	r. 7	in answer by Newfoundland Power and
8 Chairman.	8	specifically PUB-27. And PUB-27 is a number
9 CHAIRMAN:	9	of parts. And I'd just like to bring the
10 Q. Thank you. Mr. Kennedy, are you ready	to 10	Panel quickly through those parts first with
11 proceed?	11	the witness and then as a follow-up, I've done
12 MR. KENNEDY:	12	a spreadsheet which I plan to hand out and ask
13 Q. I am, Chair, thank you.	13	the witness some questions about. And I've
14 CHAIRMAN:	14	provided that spreadsheet to counsel for
15 Q. I understand you'll be taking us to lunch?	I 15	Newfoundland Power but only yesterday which I
16 mean, up to the time of lunch?	16	note under Rules to Procedure is technically
17 MR. KENNEDY:	17	not 24 hours, it was a 24 hour time frame on
18 Q. Yes.	18	new documentation. But I don't intend to put
19 CHAIRMAN:	19	it forward as an exhibit, per se, it's just an
20 Q. There's a difference.	20	illustrative aid for the Panel.
21 MR. KENNEDY:	21 MR.	ALTEEN:
22 Q. Yes, there is. I suspect so. This is one of		. We're thankful for the heads up we got, Mr.
those it's only going to take me a few minu	ites 23	Chairman. We're on an abbreviated time
to ask the questions, so subject to the	24	schedule.
25 witness' responses, but I would suggest the	at 25 CHA	IRMAN:
	Page 67	Page 68
1 Q. Thank you.	1	meters, services, street lights, distribution
2 MR. KENNEDY:	2	transformers, reconstruction, rebuild
3 Q. So this document that's before you, Mr	·. 3	distribution lines, distribution reliability
4 Delaney, is the PUB-27 point one. And thi	s 4	initiative and additions to accommodate
5 question asked Newfoundland Power to,	in 5	growth. And this I think dovetails with a
6 relation to the projects that were listed,	6	chart that you had up in your power point
7 provide the aggregate of all costs containe	d 7	presentation. And could you confirm that,
8 in the projects that are directly attributable	8	first of all, that I have, in listing those
9 to the growth in customers experienced 1	by 9	projects, managed to capture all the projects
10 Newfoundland Power. I note that in reply	by 10	in the distribution section that would have
11 Newfoundland Power you say that the maj	jority 11	growth as a component of it?
12 of the growth is attributable in new	12 A	Yes, yes, I think you have, yeah.
13 customers, however, a component of the to	otal 13 Q	. Okay. I think that dovetails with what you
	14	indicated when you were going through your
14 load growth is also attributable to existing	14	indicated when you were going through your
14 load growth is also attributable to existing 15 customers who increase their energy usag		power point presentation. And again, just to
÷		
15 customers who increase their energy usag	ge. 15 16	power point presentation. And again, just to
15 customers who increase their energy usag16 And is it I understand correctly that	ge. 15 16 ojects 17	power point presentation. And again, just to make sure that I've got a firm understanding,
 15 customers who increase their energy usag 16 And is it I understand correctly that 17 Newfoundland Power doesn't break out pro- 	ge. 15 16 ojects 17 m 18	power point presentation. And again, just to make sure that I've got a firm understanding, in the case of project, for instance, B 31
 15 customers who increase their energy usag 16 And is it I understand correctly that 17 Newfoundland Power doesn't break out pro- 18 related to growth in new customers from 	ge. 15 16 ojects 17 m 18	power point presentation. And again, just to make sure that I've got a firm understanding, in the case of project, for instance, B 31 extensions where you have a budget of
 15 customers who increase their energy usag 16 And is it I understand correctly that 17 Newfoundland Power doesn't break out pro 18 related to growth in new customers from 19 projects related to growth in energy sales p 	ge. 15 16 ojects 17 m 18 er 19	power point presentation. And again, just to make sure that I've got a firm understanding, in the case of project, for instance, B 31 extensions where you have a budget of \$6,374,000 for your 2005 capital plan, you
 15 customers who increase their energy usag 16 And is it I understand correctly that 17 Newfoundland Power doesn't break out pro- 18 related to growth in new customers from 19 projects related to growth in energy sales p 20 se, that they're not tracked separately? If 	ge. 15 16 ojects 17 m 18 er 19 20	power point presentation. And again, just to make sure that I've got a firm understanding, in the case of project, for instance, B 31 extensions where you have a budget of \$6,374,000 for your 2005 capital plan, you indicate that 100 percent of that project
 15 customers who increase their energy usag 16 And is it I understand correctly that 17 Newfoundland Power doesn't break out pro- 18 related to growth in new customers from 19 projects related to growth in energy sales p 20 se, that they're not tracked separately? If 21 you read the last line in that reply? 	ge. 15 16 ojects 17 m 18 er 19 20 21 22	power point presentation. And again, just to make sure that I've got a firm understanding, in the case of project, for instance, B 31 extensions where you have a budget of \$6,374,000 for your 2005 capital plan, you indicate that 100 percent of that project category is attributable to growth, so that
 15 customers who increase their energy usag 16 And is it I understand correctly that 17 Newfoundland Power doesn't break out pro 18 related to growth in new customers from 19 projects related to growth in energy sales p 20 se, that they're not tracked separately? If 21 you read the last line in that reply? 22 A. Yes, that's correct. 	ge. 15 16 ojects 17 m 18 er 19 20 21 22 ne 23	power point presentation. And again, just to make sure that I've got a firm understanding, in the case of project, for instance, B 31 extensions where you have a budget of \$6,374,000 for your 2005 capital plan, you indicate that 100 percent of that project category is attributable to growth, so that would be attributable to growth in customers

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1 MR. KENNEDY:	1	extensions that's attributable both to the
2 Q. Right. Extensions on, these are all	2	increase in customers and an increase in
3 distribution related projects?	3	energy sales?
4 A. Yes.	4	A. That's correct.
5 Q. Okay. And so B 31, extension on your	5	Q. Okay. And so what we have, if I'm reading
6 distribution relateddistribution related	6	this correctly, is that the unit costs per new
7 projects, budgeted for 6 million, 374, 100	7	customer for 2005 is budgeted at a total of
8 percent of that is related to the growth in	8	\$4619 per new customer?
9 new customers or energy sale?	9	A. Yes, that's correct.
10 A. Yes, that's correct.	10	Q. Okay. Now, Panel members, just so you have
11 Q. Okay. If we go to B 27.2. And, Mr. Delaney,	11	the reference, I think it might be handy to
12 this RFI asked the same question in effect, or	12	just go to 27.3 at the documents. And 27.3
13 at least dealing with the same projects for	13	asks for the same information for those same
14 distribution, extensions, meters, services and	14	budget categories only now for the fiscal
so on. It asked Newfoundland Power to provide	15	years 2000 through to 2003. And there's
16 the unit cost per new customer for each of	16	attachments, there's five pages to that RFI,
17 those budget categories. And again, this is,	17	just so you see where it's from. If we could
18 includes the unit cost per new customer for	18	go to 27.5 These are thethis question asks
both growth related to, the number of new	19	for the growth and net growth in new customers
20 customers in growth related to increased	20	as well asor just new customers for each of
21 energy sales, correct?	21	those fiscal years, so that you see that
22 A. Yeah -	22	information is there. And then 27.8, please?
23 Q. That unit cost per new customer, for instance,	23	27.8 provided the growth in energy sales for
24 for extensions of \$2,590 per customer would	24	each of those years. And I think that that's
25 include the expenditures related to growth in	25	all the RFIs that we need to look at. And now
Page 71		Page 72
1 what I'd like to do, and I believe the witness	1	that Newfoundland Power would have responded
2 already has a copy of this or does he?	2	to showing, in the case of extensions, 100
3 CHAIRMAN:	3	percent of the budget item is attributable to
4 Q. You might give him one just to make sure he's	4	growth, 20 percent for meters, 70 percent for
5 talking from the same piece of paper you have.	5	services and so forth. They had a budget of
6 MR. KENNEDY:	6	\$4,005,000 in 2001 for extensions. And a
7 Q. Okay. Chair, this is the spreadsheet that I	7	budgeted unit cost in 2001 of \$1693 per
8 did up and I'll explain it once it's handed	8	customer. Their actual expenditures under
9 out. Yeah, we can put it in as Information	9	extensions for 2001 would have been 5,404,000.
10 No. 1. Now, members to the Panel, by way of	10	Their unit cost actually for extensions was
11 explanation, what I've done is taken the	11	\$2343. And then I've calculated in the case
12 information that was in the RFIs that we just	12	of 2001 for unit costs, the unit costs went
13 went through and just put them down into a	13	over budget in that year by 28 percent for
14 different format and basically included all	14	extensions. And the actual annual growth in
15 the information in one spreadsheet. And so it	15	unit costs, that would have been from year
16 shouldeach piece of information in here	16	2000 to year 2001, were 38 percent for
17 should tie directly to an RFI except for where	17	extensions. The bold numbers that you see
18 you'll see unit costs over budget by, and	18	right next to those two columns, 23 percent
19 actual annual growth and unit costs. They're	19	and 27 percent are the total. So in other
20 my own calculations based on the figures that	20	words, when taking into account all
21 Newfoundland Power provided in the responses	21	categories, extensions, meters, services,
22 to the RFI. And so, just taking the year	22	street lights, transformers and additions, the
23 2001, because that's the fullfirst complete	23	unit costs went over budget by 23 percent in
24 year. You'll see that I have a percent	24	the year 2001 and the actual annual growth in
attributable to growth, that's as per the RFI	25	unit sales from 2001 as compared to 2000 would

	Page 73		Page 74
1	have been 27 percent.	1	unit costs year over year for the period 2000
2 (11:48 a.m.)	2	to 2005? So, for instance, in 2000 your unit
3 0	CHAIRMAN:	3	costs were over budget, came in over budget by
4	Q. You mentioned a number of 28 percent, Mr.	4	45 percent. The amount that it cost you to
5	Kennedy. Where did you come up with that?	5	hook up a new customer was 45 percent greater
6 N	AR. KENNEDY:	6	than you budgeted in 2000. That's repeated
7	Q. Thirty-eight percent I think I -	7	again in 2001 by 23 percent, your unit costs
8 0	CHAIRMAN:	8	went over budget by 23 percent. 2000 your
9	Q. Okay.	9	unit costs went over budget by 16 percent.
10 N	AR. KENNEDY:	10	And then your unit costs went over budget by 2
11	Q. If I said 28, it was an error, Chair. The 38	11	percent in 2003. Your budgeting growth in the
12	percent is just I was referring to the unit	12	unit costs in 2004 as compared to 2003 of an
13	costs over budget in extensions in 2001,	13	extra 19 percent, and your budget to budget
14	you'll see a 38 percent figure there.	14	growth form 2005 compared to 2004 is two
15 0	CHAIRMAN:	15	percent as an overall. Could you explain
16	Q. Yes, I do.	16	what's taking place here, why the unit costs
17 N	AR. KENNEDY:	17	to hook up a new customer would increase a
18	Q. So, Mr. Delaney, having a fairly brief, I	18	total of 52 percent in that five yearsorry,
19	appreciate, opportunity to look at this	19	39 percent in that five year period as is
20	information presented in this format, I wonder	20	reflected by that last number down in the
21	if you can provide the Panel with an	21	column?
22	explanation, if you would, for some of the	22	A. Yes. There are a number of factors involved
23	trends that we see or seem to be apparent in	23	in this explanation. First of all we look at
24	this document between the budgeting of unit	24	theand I'll caution that I haven't had a
25	costs and then the actual annual growth in	25	chance to vet all these numbers and add them
	Page 75		Page 76
1	up and assume they're correct, but we'll go on	1	but in the year 2000 we were actually paying
2	that assumption that -	2	some rent. There was an agreement going back
3	*		some tent. There was an agreement going back
	Q. I'm a lawyer, not an accountant, so I'll	3	and forth between us and Aliant. We were
4	Q. I'm a lawyer, not an accountant, so I'll respect your being subject to your own		and forth between us and Aliant. We were
	respect your being subject to your own	3	and forth between us and Aliant. We were paying rentals on their poles, they were
4		3 4	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the
4 5	respect your being subject to your own verification. There may actually be an anomaly there, so.	3 4 5	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get
4 5 6	respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39	3 4 5 6	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the
4 5 6 7	respect your being subject to your own verification. There may actually be an anomaly there, so.A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the	3 4 5 6 7	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the
4 5 6 7 8	respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39	3 4 5 6 7 8	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole
4 5 6 7 8 9	respect your being subject to your own verification. There may actually be an anomaly there, so.A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in	3 4 5 6 7 8 9	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the
4 5 7 8 9 10	respect your being subject to your own verification. There may actually be an anomaly there, so.A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year	3 4 5 6 7 8 9 10	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm
4 5 7 8 9 10 11	respect your being subject to your own verification. There may actually be an anomaly there, so.A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of	3 4 5 6 7 8 9 10 11	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in
4 5 7 8 9 10 11 12	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were 	3 4 5 6 7 8 9 10 11 12	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the
4 5 6 7 8 9 10 11 12 13	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the 	3 4 5 6 7 8 9 10 11 12 13	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as
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4 5 6 7 8 9 10 11 12 13 14 15 16	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the poles on the island, and in turn we charged Aliant the rentals on those poles. In 2000 Aliant were installing, I don't have the exact 	3 4 5 6 7 8 9 10 11 12 13 14 15 16	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as opposed to 39. So there has been an increase in the per unit cost from 2001 to 2205 of approximately 9, 10 percent, in that order of
4 5 6 7 8 9 10 11 12 13 14 15 16 17	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the poles on the island, and in turn we charged Aliant the rentals on those poles. In 2000 Aliant were installing, I don't have the exact numbers, but Aliant were installing the 	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as opposed to 39. So there has been an increase in the per unit cost from 2001 to 2205 of approximately 9, 10 percent, in that order of magnitude. Now, per unit cost, when you're
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the poles on the island, and in turn we charged Aliant the rentals on those poles. In 2000 Aliant were installing, I don't have the exact numbers, but Aliant were installing the majority of the poles on the island in the 	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as opposed to 39. So there has been an increase in the per unit cost from 2001 to 2205 of approximately 9, 10 percent, in that order of magnitude. Now, per unit cost, when you're trying to develop a budget for how much do you
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the poles on the island, and in turn we charged Aliant the rentals on those poles. In 2000 Aliant were installing, I don't have the exact numbers, but Aliant were installing the majority of the poles on the island in the year 2000. So when you think of the cost of 	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as opposed to 39. So there has been an increase in the per unit cost from 2001 to 2205 of approximately 9, 10 percent, in that order of magnitude. Now, per unit cost, when you're trying to develop a budget for how much do you have to spend to connect customers to the grid
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the poles on the island, and in turn we charged Aliant the rentals on those poles. In 2000 Aliant were installing, I don't have the exact numbers, but Aliant were installing the majority of the poles on the island in the year 2000. So when you think of the cost of extensions, a large component of the cost is 	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as opposed to 39. So there has been an increase in the per unit cost from 2001 to 2205 of approximately 9, 10 percent, in that order of magnitude. Now, per unit cost, when you're trying to develop a budget for how much do you have to spend to connect customers to the grid in the coming year, it's not an exact science.
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the poles on the island, and in turn we charged Aliant the rentals on those poles. In 2000 Aliant were installing, I don't have the exact numbers, but Aliant were installing the majority of the poles on the island in the year 2000. So when you think of the cost of extensions, a large component of the cost is the cost of installing the pole. So in 2000 	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as opposed to 39. So there has been an increase in the per unit cost from 2001 to 2205 of approximately 9, 10 percent, in that order of magnitude. Now, per unit cost, when you're trying to develop a budget for how much do you have to spend to connect customers to the grid in the coming year, it's not an exact science. The best information we have is to develop a
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the poles on the island, and in turn we charged Aliant the rentals on those poles. In 2000 Aliant were installing, I don't have the exact numbers, but Aliant were installing the majority of the poles on the island in the year 2000. So when you think of the cost of extensions, a large component of the cost is the cost of installing the pole. So in 2000 we had a situation where we were installing 	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as opposed to 39. So there has been an increase in the per unit cost from 2001 to 2205 of approximately 9, 10 percent, in that order of magnitude. Now, per unit cost, when you're trying to develop a budget for how much do you have to spend to connect customers to the grid in the coming year, it's not an exact science. The best information we have is to develop a forecast of the number of new customers we
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 respect your being subject to your own verification. There may actually be an anomaly there, so. A. If we look at the unit growth cost of 39 percent that would compare 2005 to 2000, the main factor that would drive the growth in unit cost would have occurred between the year 2000 and 2001. In 2001 we purchased all of Aliant's poles and from 2001 onward we were responsible for installing 100 percent of the poles on the island, and in turn we charged Aliant the rentals on those poles. In 2000 Aliant were installing, I don't have the exact numbers, but Aliant were installing the majority of the poles on the island in the year 2000. So when you think of the cost of extensions, a large component of the cost is the cost of installing the pole. So in 2000 we had a situation where we were installing far fewer poles than we were in subsequent 	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	and forth between us and Aliant. We were paying rentals on their poles, they were paying rentals on ours. So if you look at the overall per unit cost, let's use 2001 to get Aliant out of the picture, because pole installations is a significant part of the cost of serving new customers, we'll have the actual per unit cost in 2001 at \$4226, if I'm reading this correctly, as compared to 4619 in 2005, which is a change somewhere in the neighbourhood of 9 or 10 percent increase as opposed to 39. So there has been an increase in the per unit cost from 2001 to 2205 of approximately 9, 10 percent, in that order of magnitude. Now, per unit cost, when you're trying to develop a budget for how much do you have to spend to connect customers to the grid in the coming year, it's not an exact science. The best information we have is to develop a forecast of the number of new customers we expect and look at our history, look at our

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1 N	IR. DELANEY:	1	customers showed up in Southlands over the
2	infrastructure is built out, there's this	2	'90s and in recent years the per unit cost in
3	timing lag between when we build and when the	3	that particular subdivision was very low. So,
4	customer connects. When you get into a period	4	it's a good way, it's a good way ofit's the
5	of high growth, what happens is we're building	5	best way we've got to predict what our future
6	our infrastructure and building our	6	expenditures will be to connect customer
7	infrastructure and building a lot of	7	growth, but it's not perfect. We've attempted
8	infrastructure quick and customers are hooking	8	even to try to track subdivision lot growth
9	up. When the growth tapers off, the customers	9	and try to make the formula based on
10	come in and fill in the infrastructure. So in	10	subdivision lot rather than customer, because
11	periods of high growth our per unit cost per	11	we're building the infrastructure to the lot,
12	customer will tend to be greater than in	12	not so much the customer, because of this
13	periods of low growth when the per unit cost	13	timing difference and that never really worked
14	per customer will be less. I'll give you a	14	because it's when you go out and talk to
15	good example. I was directly involved in	15	developers, etcetera, you'll get very
16	Southlands back when we developed this	16	optimistic estimates as to how much is going
17	methodology in the early '90s, we developed	17	to be done next year. That being said, that's
18	this concept, this way of trying to anticipate	18	the main mover behind the extensions account
19	what the customer growth would be in the next	19	is a little bit of out of sync with customer
20	year. We built the entire infrastructure for	20	growth. But if we compare it, 2005, the per
21	Southlands in one year and that just so	21	unit cost to 2001, we have a difference of
22	happened in the early '90s turn down in the	22	somewhere around 9 or 10 percent in per unit
23	economy. So we put all this extension work	23	growth, which, you know, it's about 10
24	in, put all these transformers in, the	24	percent, there's a certain element of that
25	customers never showed up. But as the	25	related to inflation, extra, you know, labour
25	1		,, <i>j</i> ,
1	Page 79 cost, extra material cost, but there is a	1	Page 80 seen growth in the last few years that is very
	Page 79		Page 80
1	Page 79 cost, extra material cost, but there is a	1	Page 80 seen growth in the last few years that is very
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1 M	R. KENNEDY:	1	per customer. Now, I'll try to assist you
2 (1	2:00 p.m.)	2	here. Is that related to those new automatic
3	Q. And that that wouldand so if we go back to	3	reader meters, the ADR, I think it was called,
4	Information No. 1, the customer growth column,	4	meter?
5	although the numbers are not high in the sense	5	A. Yes, the change in unit cost, actual unit cost
6	of growth year over year of 1.3 percent, 1.2	6	between 2004 and 2003 is due to the
7	percent, you're suggesting that they may mask	7	installation of AMR meters in 2004 that was
8	some more volatile growth that's occurring in	8	not there in 2003, that's the automatic meter
9	specific regions in the province and that goes	9	reading, that's correct.
10	to explain some of the reasons why your unit	10	Q. Okay. Because otherwise your unit cost for
11	costs have increased as much as they have in	11	you meters were actually always well below
12	the same period? Is that the tick tack toe,	12	budget. In 2000 you came in 26 percent below
12	if you will, that you're -	12	budget, in 2001 you came in 29 percent below
	• •		
14	A. I'm not really sure that because the growth is more concentrated in one area than another	14	budget, 2002, 23 percent below budget, and
15		15	2003, 33 percent below budget, and 2005 you
16	area that that would lead to a change in the	16	were 23 percent below budget. So the meters
17	per unit cost. I don't think that's correct.	17	have generally come in lower than budgeted,
18	Q. Okay. See, because, like, there's some	18	correct?
19	anomalies that just sort of pop out at you.	19	A. Yes, they have.
20	If you look at 2004, for instance, and you	20	Q. So -
21	look at meters, you have budgeted \$235,000 for	21	A. According to this spreadsheet, yes.
22	the current capital budget year and the unit	22	Q. Right. So the meters, at least according to
23	cost is \$102 per meter, but the preceding year	23	the spreadsheet, and again, they're just the
24	your actual unit cost for a meter was \$39 for	24	numbers that were provided in the RFIs, the
25	162 percent growth in the cost of new meters	25	meters really aren't the driver of why your
	Page 83		Page 84
1	unit costs have been increasing during that	1	control into the system to prevent future
2	period, correct?	2	problems. So with respect to services, it's
3	A. Yeah, just looking at it, see, the meters	3	actually one area that we focused on a lot,
4	represent about somewhere between one and two	4	that linemen when they went out and did a
5	percent of the cost of hooking up a new	5	service, to do it right the first time. And
6	customer. So they're not a main driver in the	6	that added a little bit of labour to our
7	overall per unit cost. The main drivers would	7	services account, but we expect to get the
8	be in the bigger items which would include	8	dividends down the road. Some of the things
9	extensions, services and transformers.	9	we did, we came up with a different type of
10	Q. Right.	10	air seal with the connections on the services
	A. And if I may, I'll just go into a little bit	10	that required longer to tape it up and stuff.
11	into the servicesto the other items to give		
12	0	12	So we made a deliberate effort to improve the
13	the Board a flavour of what are some of the	13	quality of work with respect to services.
14	components behind this per unit cost. I	14	Transformers, there is some per unit change in
15	described extensions, how there are timing	15	the cost of transformers. And if you remember
16	difference between the installation of a plant	16	my slide, I showed an old transformer and a
17	and the customers actually showing up, which	17	new transformer. We moved to stainless steel
18	is one of the factors behind extensions. If	18	transformers in the early, around 2000, 2001.
19	we look at services, there has been some	19	And that increase the per unit cost of
		20	transformers from a capital sense but it will
20	increase in the per unit cost of services over	20	-
20 21	the years. One of the factors behind that was	20	decrease our operating costs down the road.
	-		-
21	the years. One of the factors behind that was	21	decrease our operating costs down the road.
21 22	the years. One of the factors behind that was we, in earlyaround 2002, 2201 we brought a	21 22	decrease our operating costs down the road. So there are some drivers there. So when I

	, ,		
	Page 85		Page 86
1	/R. DELANEY:	1	suggest that it's subject to your own checking
2	2001 to 2005 of somewhere around 9, 10	2	of those numbers because that's my figure,
3	percent. That would be what we're dealing	3	but.
4	with in terms of, you know, the new things	4	A. From 2000 to 2005 it's increased 39 percent.
5	we've done in capital in terms of improving	5	However, in 2000 we were in the situation
6	our services, improving our transformers with	6	where Aliant were installing a large portion
7	the thinking being that we'll get operating	7	of the poles in the Province of Newfoundland,
8	cost dividends down the road.	8	so the equation changed quite a bit between
9	Q. Just so we have again a reference	9	2000 and 2001. And I don't think a comparison
10	specifically, 27.11, 27.11. For the benefit	10	between 2005 and 2000 is meaningful, but a
11	of the Panel members. Panel members, this is	11	comparison between 2005 and 2001 would be a
12	an RFI that asked for a reconciliation of the	12	more meaningful comparison to take into the
13	costs in the capital budget as per the earlier	13	account that Aliant are notAliant stopped
14	questions in the RFI 27, one, six, nine and	14	installing poles in 2001, but in 2000 a large
15	ten. And this is what you were referring to a	15	portion of the cost associated with connecting
16	moment ago, Mr. Delaney, if I'm correct, the	16	new customers was borne by Aliant. As well,
17	11,368,000. So that's the portion of the	17	there's another thing I might add. The
18	distribution budget that's related	18	project additions, feeder additions for load
19	specifically to growth?	19	growth and reliability is included here. We
20	A. That's related to growth, yes.	20	approach the justification of that project
20	Q. And within that number the unit cost per new	20	totally differently. We don't estimate the
21	customer that account for that 11 million 368,	21	cost of that project based on pre unit cost or
	according to Info No. 1, have increased by		customer growth. What that project is based
23		23	
24	overall 39 percent since the year 2000 to the	24	on is justified on the basis of engineering
25	year 2005? And again, I'll respect you to	25	analysis of the system. We'll look at all of
	Page 87		Page 88
1	our distribution feeders and determine whether	1	calculations to show the historical based
2	any are overloaded. Now, that's not because	2	costs in each of the above projects. And the
3	of customer growth in the given years, it's	3	first one was B 31, which is the extensions
4	because of the economiation of sustaining mounth		
1.	because of the accumulation of customer growth	4	project which we were just looking at. And do
5	up to that point. So the feeder additions for	4 5	I gather correctly that Newfoundland Power, in
1	up to that point. So the feeder additions for load growth is not something that we equate to		I gather correctly that Newfoundland Power, in putting together its budget, say, for this
5	up to that point. So the feeder additions for load growth is not something that we equate to that number of customers in that year, it's	5	I gather correctly that Newfoundland Power, in putting together its budget, say, for this capital year, 2005, uses a calculation which
5 6	up to that point. So the feeder additions for load growth is not something that we equate to	5 6	I gather correctly that Newfoundland Power, in putting together its budget, say, for this
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Page 89 Page 90 1 MR. KENDEDY: 1 customer? 2 2 A. Yes, that's correct. 3 Q. And as indicated in Attachment A, you take the historical labour costs per customer, which is 3 Q. Okay. So if your actuals are increasing, your 3 Q. And as indicated in Attachment A, you take the historical projects labour costs, and then you 6 Increasing, correct? If the actual cost of labour and non-labour and the combination of the two, year over year, is increasing, your 9 customers that have come on the system, correct? 10 A. That's correct. 10 Q. So if your actual costs are increasing, it pour non-labour costs, so presumably that's 11 Q. So if your actual costs are increasing, it anacreais mossly? 11 Q. So if your actual costs are increasing, it anacreais mossly? 12 places a, if I may, an upper bias on your calculation of what your budget should be for a given budget year. So for instance. 2005 14 A. Yes, that's correct. 18 a given budget year. So for instance. 2005 15 that so correct. 18 bistorical expenditures to hook up new customers, that trend would be reflected in vour budget in 2005 by a corresponding in order to get an average of what that 13 10 Q. And then you divide it by-you do if for 21 24		Deer 90		ge III I ower 2005 Capital Duuget Application
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3 Q. And as indicated in Attachment A. you take the instoric actual labour cost, minus any sinter actual labour cost, and then you average historical expenditure per customer is increasing, correct? If the actual cost of the two, year over year, is increasing, your and non-labour and the combination of the two, year over year, is increasing, your average is going to increase; one follows the other? 0 A. That's correct. 10 A. That's correct, so presumably that's materials mostly? 11 Q. So if your actual costs are increasing, it places and increase? 2. So if your actual costs are increasing, it places and it may, an upper bias on your calculation of what your budget should be for a given budget year. So for instance, 2005 14 A Yes, that's correct. 11 Q. Road, and again you except out any special projects that are special? 11 Places and you divide it by -you do it for the two would be reflected in that total and you divide it by -you do it for to get an average of what that total and you divide it by -you do it for to get an average of what that thistorical costs, including both labour and thistorical costs, including both labour and thistorical costs, including both labour and to the budget and then you take server in the cost per total new thistorical costs, including both labour and to the sources and you divide it by -you do it for to get an average of what that the special projects or if there are special thistorical costs, including both labour and to thabourge and that unit to thabedget and thayour doing ea				
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	DELANEY:	1	new customer in your customer service
2	Canada and we look at other forecasters in	2	department, the more operational related -
3	terms of, you know, our director of forecast	3	A. Subject to check, I don't think that that's
4	produces for us the forecast based on the	4	the case that our costs and our
5	economic information he has in front of him as	5	representatives would charge any portion of
6	to where he sees growth going in the next	6	their time to capital.
7	year. And like all forecasts, it holds an	7	Q. Okay. Just in the ten minutes we have before
8	element of uncertainty.	8	lunch, Mr. Delaney, I wonder if we could have
9 Q.	In a case of the extension's budget for the	9	a chat about the Wesleyville Gas Turbine
10	unit cost, would there be a labour component	10	overhaul. And I think the first place to
11	in that extension's budget?	11	start would be in the variance report, which
12 A.	Yes, absolutely.	12	is volume oneit's not actually called
13 Q.	And in accordance with the way this works now,	13	variance report, it's called the 2004 Capital
14	all the labour associated with that extension	14	Expenditure Status Report, and it's the
15	gets booked as capital, correct? It's treated	15	attachment A. There you go, and it's item 6,
16	as a capital expenditure?	16	Chris. Here we go. Do you have that in front
	Yes, all the labour associated with an	17	of you now, Mr. Delaney?
18	extension would be charged to the capital	18	A. Yes.
19	expenditure, yes.	19	Q. Okay. And you've already spoken about this in
20 Q.	None of the labour associated with the new	20	your direct presentation. I just have a
21	customer would be clerical in nature, would	21	couple of questions first relating to your
22	it, that would involve just signing up a new	22	variance report here. It is indicated that
23	customer? Like none of the labour I see here,	23	the budget originally for this project was one
24	for instance, in your expenditures related to	24	million six hundred and seventy-four thousand
25	growth would be clerical, the signing on of a	25	and it ended up coming in at three million two
	Page 95		
	1 450 75		Page 96
1	-	1	Page 96 Q. And so until you feltuntil Newfoundland
1 2	hundred and thirty-three thousand for a variance of one million five hundred and	1 2	Q. And so until you feltuntil Newfoundland Power felt confident about what it was doing
2	hundred and thirty-three thousand for a		Q. And so until you feltuntil Newfoundland
2 3	hundred and thirty-three thousand for a variance of one million five hundred and	2	Q. And so until you feltuntil Newfoundland Power felt confident about what it was doing
2 3 4	hundred and thirty-three thousand for a variance of one million five hundred and fifty-nine thousand or 93 percent over budget,	2 3	Q. And so until you feltuntil Newfoundland Power felt confident about what it was doing down in the Burin area to address this system
2 3 4 5 A.	hundred and thirty-three thousand for a variance of one million five hundred and fifty-nine thousand or 93 percent over budget, correct?	2 3 4	Q. And so until you feltuntil Newfoundland Power felt confident about what it was doing down in the Burin area to address this system issue, it kept the gas turbine down there? It
2 3 4 5 A. 6 Q.	hundred and thirty-three thousand for a variance of one million five hundred and fifty-nine thousand or 93 percent over budget, correct? Yes, that's correct.	2 3 4 5	Q. And so until you feltuntil Newfoundland Power felt confident about what it was doing down in the Burin area to address this system issue, it kept the gas turbine down there? It decided to postpone and delay the move?
2 3 4 5 A. 6 Q. 7	hundred and thirty-three thousand for a variance of one million five hundred and fifty-nine thousand or 93 percent over budget, correct? Yes, that's correct. And that number, one million six seventy-four,	2 3 4 5 6	Q. And so until you feltuntil Newfoundland Power felt confident about what it was doing down in the Burin area to address this system issue, it kept the gas turbine down there? It decided to postpone and delay the move?A. Because of the system problem, yes, we decided
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2 3 4 5 A. 6 Q. 7 8 9 10 11 A. 12 Q. 13 14 A. 15 Q. 16 17 18 19 20 A. 21 Q. 22 23 24	hundred and thirty-three thousand for a variance of one million five hundred and fifty-nine thousand or 93 percent over budget, correct? Yes, that's correct. And that number, one million six seventy-four, that was the original budget put forward by Newfoundland Power as part of its 2002 Capital Budget Application? Am I gathering that correct because it says 2002 project? Yes, that was put forward in 2002. Okay, so it was work that was going to be carried out in 2002? Exactly, correct. And then just before you went to actually relocate the gas turbine in accordance with that proposal that was approved by the Board, there was a major system failure in the Burin Peninsula? Yes, that's correct. And the gas turbine, I take it, played a role then in addressing that system failure. It	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 Q. And so until you feltuntil Newfoundland Power felt confident about what it was doing down in the Burin area to address this system issue, it kept the gas turbine down there? It decided to postpone and delay the move? A. Because of the system problem, yes, we decided due to the customer concerns that arose as a result of that long outage, we decided to defer the relocation into the subsequent year. Q. And so was the work on this commenced in 2003 then? Once that Burin issue got resolved, did the project actually start in 2003? A. Now there may have been some work in 2002, but the project began in earnest in 2003, yes. Q. And I understand it was completed in the second quarter of 2004? That last paragraph there actually if you scroll down please, there's another paragraph underneath that relating to this. You'll see it says the gas turbine was relocated and commissioned for operation at the end of the fourth quarter 2003. And then the work associated with

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1 MR. DPLA.NFY: 1 contract labour cost was three firly and it 2 A. Yes, that's correct. 3 contract labour cost was three firly and it 4 paragraph just above that one, it indicates 4 Q. Oh. I'm sorry, increased by four twenty? 5 that following the decision to postrone 6 Q. Right, okay, so the labour increased by four twenty? 6 relocation and retendering in 2003, the 6 Q. Right, okay, so the labour increased by four twenty? 7 contract costs to relocate the gas turbine 8 6 Q. Right, okay, so the labour increased by four twenty? 8 to seven hundred and seventy thousand. So do 9 1 mew hids for the relocation of this gas 11 increase in contract costs, it just overall, 11 new hids for the relocation of this gas 13 the delay - 14 A. The delay is responsible, as we put in here, 14 A. Yes. we did, we went-after our decision to 14 A. The delay is responsible, as we put in here, 16 turbine. 16 trentse in costs, yes. 18 revised estimates for relocating the gas 18 Q. Right, now, the postponement isclf of the 10 mot	Sep	tember 20, 2004 Multi	-Paş	ge I	NF Power 2005 Capital Budget Application
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3 Q. Okay. Earlier in that paragraph just above that one, it indicates 3 four hundred and uventy thousand. 4 paragraph just above that one, it indicates 4 Q. Oh, I'm sorry, increased by four twenty? 6 relocation and retendering in 2003, the 6 Q. Right, okay, so the labour increased by four 8 increased by four hundred and seventy thousand. So do 9 during construction-well, just as we said the 9 new bids for the relocation of this gas 12 increase in contract costs, it just overall, 14 A. Yes, we did, we went-after our decision to 14 A. The delay is nervel, it's four hundred and 16 place on which we built the estimate was no 16 twenty plus ninety-six thousand in direct 17 more, and so we went back to tender to gat 17 increase in constx, yes. 18 revised estimates for relocating the gas 10 increase in the project costs caused by the 19 contract costs to relocate went up by three 10 increase in the project costs caused by the 20 Q Right, and it says, as a result of that, the 20 increase in the project costs caused by the 21 nortract costs to relocating the gas 10 related socating the gas <td>1 N</td> <td>IR. DELANEY:</td> <td>1</td> <td></td> <td>-</td>	1 N	IR. DELANEY:	1		-
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7 contract costs to relocate the gas turbine 7 twenty per the replies you got back on your 8 increased by four hundred and twenty thousand 50 5 10 I gather correctly then that Newfoundland 10 10 10 11 Power went back out to tender in 2003 to seek 11 particularly related specifically to that 13 turbine? 11 A. Yes, we did, we wentafter our decision to 15 16 place on which we built the estimate was no 16 for five hundredwell, it's four hundred and 16 place, and so we went back to tender to get 17 increase in cosins, yes. 18 revised estimates for relocating the gas 18 Q. Right, and it says, as a result of that, the 19 turbine. 19 increase in cosins, yes. 18 21 contract costs to relocate went up by three 10 increase in cosins, yes. 18 22 hundred and fifty thousand? 23 A. Hi ke contract tokay, the original 25 23 A. I think the contract tokay, the original 25 A. Thi think you're going to have to repeat <td>5</td> <td>that following the decision to postpone</td> <td>5</td> <td>А. У</td> <td>les.</td>	5	that following the decision to postpone	5	А. У	les.
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11your postponement that your interest during11A. Yes, that's correct.12construction will increase?12Q. Would that be mostly internal labour?13A. No, I think the fact that the project took13A. That's mostly internal, yes.14longer to do and spread it over a longer time14Q. Okay. So Mr. Delaney, there must have been15period would increase the interest during15some point in time, in 2003, before you16construction.16actually started this work, where you realized17Q. Okay.17that the project budget had increased fairly18A. If given two projects that were of the same18dramatically. Before you started the work,19value, if one were done in a longer period of19you must have known that, for instance, as is20time, relative to the other one, that would20indicated here when you re-tendered, that your21have a larger component of interest during21contract costs had gone up by \$420,000 alone,22construction.22and the nature of the project seemed to change	9	interest during construction increases. It's	9	e	ngineering and project management and
12construction will increase?12Q. Would that be mostly internal labour?13A. No, I think the fact that the project took13A. That's mostly internal, yes.14longer to do and spread it over a longer time14Q. Okay. So Mr. Delaney, there must have been15period would increase the interest during15some point in time, in 2003, before you16construction.16actually started this work, where you realized17Q. Okay.17that the project budget had increased fairly18A. If given two projects that were of the same18dramatically. Before you started the work,19value, if one were done in a longer period of19you must have known that, for instance, as is20time, relative to the other one, that would20indicated here when you re-tendered, that your21have a larger component of interest during21construction.22construction.22and the nature of the project seemed to change	10	only if your cost increases as a result of	10	S	upervision costs totalling 460,000?
13A. No, I think the fact that the project took13A. That's mostly internal, yes.14longer to do and spread it over a longer time13A. That's mostly internal, yes.15period would increase the interest during14Q. Okay. So Mr. Delaney, there must have been16construction.16actually started this work, where you realized17Q. Okay.16actually started this work, where you realized18A. If given two projects that were of the same18dramatically. Before you started the work,19value, if one were done in a longer period of19you must have known that, for instance, as is20time, relative to the other one, that would20indicated here when you re-tendered, that your21have a larger component of interest during21contract costs had gone up by \$420,000 alone,22and the nature of the project seemed to change	11	your postponement that your interest during	11	А. Ү	<i>l</i> es, that's correct.
14longer to do and spread it over a longer time period would increase the interest during construction.14Q. Okay. So Mr. Delaney, there must have been some point in time, in 2003, before you actually started this work, where you realized16construction.16actually started this work, where you realized17Q. Okay.17that the project budget had increased fairly18A. If given two projects that were of the same value, if one were done in a longer period of time, relative to the other one, that would have a larger component of interest during construction.18dramatically. Before you started the work, you must have known that, for instance, as is indicated here when you re-tendered, that your contract costs had gone up by \$420,000 alone, and the nature of the project seemed to change	12	construction will increase?	12	Q. V	Would that be mostly internal labour?
15period would increase the interest during construction.15some point in time, in 2003, before you actually started this work, where you realized16construction.16actually started this work, where you realized17Q. Okay.17that the project budget had increased fairly18A. If given two projects that were of the same value, if one were done in a longer period of time, relative to the other one, that would 2018dramatically. Before you started the work, 1920time, relative to the other one, that would 2120indicated here when you re-tendered, that your 2122construction.22and the nature of the project seemed to change	13	- · ·	13	А. Т	That's mostly internal, yes.
16construction.16actually started this work, where you realized17Q. Okay.17that the project budget had increased fairly18A. If given two projects that were of the same18dramatically. Before you started the work,19value, if one were done in a longer period of19you must have known that, for instance, as is20time, relative to the other one, that would20indicated here when you re-tendered, that your21have a larger component of interest during21contract costs had gone up by \$420,000 alone,22construction.22and the nature of the project seemed to change	14	longer to do and spread it over a longer time	14	Q. (Okay. So Mr. Delaney, there must have been
17Q. Okay.17that the project budget had increased fairly18A. If given two projects that were of the same17that the project budget had increased fairly18A. If given two projects that were of the same18dramatically. Before you started the work,19value, if one were done in a longer period of19you must have known that, for instance, as is20time, relative to the other one, that would20indicated here when you re-tendered, that your21have a larger component of interest during21contract costs had gone up by \$420,000 alone,22construction.22and the nature of the project seemed to change	15	period would increase the interest during	15	S	ome point in time, in 2003, before you
18A. If given two projects that were of the same value, if one were done in a longer period of time, relative to the other one, that would have a larger component of interest during construction.18dramatically. Before you started the work, you must have known that, for instance, as is indicated here when you re-tendered, that your contract costs had gone up by \$420,000 alone, and the nature of the project seemed to change	16	construction.	16	a	ctually started this work, where you realized
19value, if one were done in a longer period of time, relative to the other one, that would have a larger component of interest during construction.19you must have known that, for instance, as is indicated here when you re-tendered, that your contract costs had gone up by \$420,000 alone, and the nature of the project seemed to change	17	- •	17	tl	hat the project budget had increased fairly
20time, relative to the other one, that would20indicated here when you re-tendered, that your21have a larger component of interest during21contract costs had gone up by \$420,000 alone,22construction.22and the nature of the project seemed to change	1		18		
21have a larger component of interest during21contract costs had gone up by \$420,000 alone,22construction.22and the nature of the project seemed to change	19	• •	19	-	
22 construction. 22 and the nature of the project seemed to change	20		20		
	21		21		
123 O Okay and then we hadand I think you 23 the minute you got into it. I'm just	1		22		
	23	Q. Okay, and then we hadand I think you	23		he minute you got into it. I'm just
24 referenced this that there was assessment of 24 wondering why Newfoundland Power wouldn't have					
25equipment during the dismantling of this25sought approval of the Board for this project,	25	equipment during the dismantling of this	25	S	ought approval of the Board for this project,

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	Page 10	l 🗌	Page 102
1 1	IR. KENNEDY:	1	inthis is in volume 2 of the Application
2	on the basis of these new figures that	2	under Energy Supply and then there's an
3	Newfoundland Power was aware of?	3	appendix 2, No. 2. And then there's an
4	A. As we became aware of the variance in the	4	Attachment A, and could you just describe, Mr.
5	project, it was reported to the Board in our	5	Delaney, what it is that we're looking at
6	quarterly reports of variance to the Board.	6	there on the screen?
7	The scopeit's my understanding that should	7	A. This is a report compiled by Rolls-Royce who
8	the scope of the project change, then we would	8	are the original equipment manufacturers of
9	come back to the Board for approval. Through	9	the Avon gas turbine, so they are the
10	the course of this, the scope of this project	10	specialists in this particular type of gas
11	didn't change. It was taking a gas turbine	11	turbine. This is a report that they filed on
12	from Salt Pond and moving it to Wesleyville.	12	December 7th of 2003. Where is this to?
13	The project remained the project. There were	13	Appendix 2? Okay, this is a -
14	significant variances and those were reported	14	Q. Yes, this is under volume 2, "Energy Supply",
15	to the Board through our reporting of	15	Appendix 2, and then there's an Attachment A.
16	quarterly variances to the Board. So because	16	A. So this is the Rolls-Royce recommendations for
17	the scope did not change or the nature, the	17	the work required on the gas generator unit.
18	entire nature of the project did not change,	18	This is a report that Rolls-Royce provided to
19	we did not come back to the Board for specific	19	us after we had installed the unit in
20	approval.	20	Wesleyville.
21	Q. Okay, Mr. Delaney, I just got one more sort of	21	Q. Okay. Can we just keep that handy please and
22	area I wanted to cover with this and it's	22	then can we just go to PUB-31.1. There we go,
23	something sort of, I think, could do with a	23	thank you. And this asked a question
24	little bit of an explanation. And this refers	24	specifically about a passage that's in the
25	to a report by Rolls-Royce and we'll find that	25	Rolls-Royce report and that passage is at page
	Page 10.	2	Page 104
1	2 of the Rolls-Royce report under	1	gave that it should be overhauled prior to
2	"Conclusions". And if we could just keep that	2	running the unit?
3	then, please, and then just toggle back to the	3	A. I'll give some history on this to answer the
4	Rolls-Royce report and go to page 2. So	4	question and to put it in perspective. In
5	that's thatthat's the energy supply appendix	5	2000, we had Trans Canada Turbines come down
6	2, Attachment A. Yes, there we go, and if we	6	and did a detailed analysis of the Wesleyville
7	could just go to page 2 of that. And right	7	gas turbine involving internal inspection
8	there, 2.1, paragraph 2.1 and the conclusion	8	
9			using poroscope and evaluation of the unit.
1 7	was. "The gas generator was suspected prior to		using boroscope and evaluation of the unit, and it was given a clean bill of health. In
	was, "The gas generator was suspected prior to the move and the recommendation at that time	9	and it was given a clean bill of health. In
10	the move and the recommendation at that time	9 10	and it was given a clean bill of health. In 2003, when we started the move of the gas
10 11	the move and the recommendation at that time was to have the unit sent to an approved	9 10 11	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around
10 11 12	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running	9 10 11 12	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do
10 11 12 13	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in	9 10 11 12 13	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine.
10 11 12 13 14	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas	9 10 11 12	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what
10 11 12 13	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in	9 10 11 12 13 14	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine.
10 11 12 13 14 15	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas generator is in poor condition and should be	9 10 11 12 13 14 15	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what this thing looks like inside now, so after
10 11 12 13 14 15 16	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas generator is in poor condition and should be overhauled as soon as possible to prevent the	9 10 11 12 13 14 15 16	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what this thing looks like inside now, so after it's done, to make sure everything worked
10 11 12 13 14 15 16 17	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas generator is in poor condition and should be overhauled as soon as possible to prevent the possibility of a catastrophic failure." Now,	9 10 11 12 13 14 15 16 17	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what this thing looks like inside now, so after it's done, to make sure everything worked right from before the move, after the move and
10 11 12 13 14 15 16 17 18	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas generator is in poor condition and should be overhauled as soon as possible to prevent the possibility of a catastrophic failure." Now, I think you just confirmed there that the unit	9 10 11 12 13 14 15 16 17 18	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what this thing looks like inside now, so after it's done, to make sure everything worked right from before the move, after the move and if something should happen in the interim,
10 11 12 13 14 15 16 17 18 19	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas generator is in poor condition and should be overhauled as soon as possible to prevent the possibility of a catastrophic failure." Now, I think you just confirmed there that the unit was actually run in April of this year in	9 10 11 12 13 14 15 16 17 18 19	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what this thing looks like inside now, so after it's done, to make sure everything worked right from before the move, after the move and if something should happen in the interim, then our contractor, who was in charge of the
10 11 12 13 14 15 16 17 18 19 20	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas generator is in poor condition and should be overhauled as soon as possible to prevent the possibility of a catastrophic failure." Now, I think you just confirmed there that the unit was actually run in April of this year in order to address a system outage up in the	9 10 11 12 13 14 15 16 17 18 19 20	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what this thing looks like inside now, so after it's done, to make sure everything worked right from before the move, after the move and if something should happen in the interim, then our contractor, who was in charge of the relocating, would have been responsible. When
10 11 12 13 14 15 16 17 18 19 20 21	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas generator is in poor condition and should be overhauled as soon as possible to prevent the possibility of a catastrophic failure." Now, I think you just confirmed there that the unit was actually run in April of this year in order to address a system outage up in the Bonavista Peninsula, is that correct?	9 10 11 12 13 14 15 16 17 18 19 20 21	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what this thing looks like inside now, so after it's done, to make sure everything worked right from before the move, after the move and if something should happen in the interim, then our contractor, who was in charge of the relocating, would have been responsible. When in March, when Rolls-Royce did this analysis,
10 11 12 13 14 15 16 17 18 19 20 21 22	the move and the recommendation at that time was to have the unit sent to an approved overhaul facility for repair prior to running the unit. This visit was not different in that the customer was informed that the gas generator is in poor condition and should be overhauled as soon as possible to prevent the possibility of a catastrophic failure." Now, I think you just confirmed there that the unit was actually run in April of this year in order to address a system outage up in the Bonavista Peninsula, is that correct? A. Yes, it was, on the Bonavista North.	9 10 11 12 13 14 15 16 17 18 19 20 21 22	and it was given a clean bill of health. In 2003, when we started the move of the gas turbine from Salt Pond to Wesleyville, around March, we had Rolls-Royce come in and do another boroscope analysis inside the machine. The purpose we did that, was let's see what this thing looks like inside now, so after it's done, to make sure everything worked right from before the move, after the move and if something should happen in the interim, then our contractor, who was in charge of the relocating, would have been responsible. When in March, when Rolls-Royce did this analysis, this is the one that they refer to, the prior

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1 N	MR. DELANEY:	1	overhaul done next year. So that's the
2	one year already. We had reliability problems	2	background on the decisions made with respect
3	in Bonavista North that had to be addressed,	3	to the overhaul of this gas turbine.
4	so we made the decision to move the gas	4	Q. And, Mr. Delaney, you indicate in response to
5	turbine. I personally met with the	5	PUB-31.2 that the cost that could be
6	representatives from Rolls-Royce to field out	6	considered to be now need to be duplicated in
7	their judgment with respect to this move, and	7	removing this gas turbine unit to get an
8	based on my meetings with them in March and	8	overhaul and then reinstalling it, for what
9	again later on after the December inspection,	9	would amount to a second time in its present
10	I decided based on our use of the gas turbine	10	location in Wesleyville, are, you quoteand
11	that we could move this project into 2005.	11	that's the bottom paragraph at line 24, "a
12	Now by that, what I mean is when Rolls-Royce	12	relatively small part of the overall project."
13	were looking at gas turbines and their	13	Could you let me know what is considered to be
14	judgment is, you know, is very good, they're	14	a relatively small part of the overall project
15	the specialists, they are the experts in this	15	in a dollar figure?
16	field, but we run our gas turbine for short	16	A. Wethat would be less than five thousand
17	durations, very small short durations, time at	17	dollars.
18	a time. This gas turbine is not on, staying	18	Q. So two to four days?
19	on. So my discussions and looking at the	19	A. It would be less than five thousand dollars.
20	report with the situation we were in, we used	20	Q. You indicated, I think under your direct
21	our best engineering judgment that we would	21	presentation thatand also in reply to PUB
22	continue on with the unit, continue on with	22	2.1 and 2.2, that the decision about whether
23	the project, get it in place, test it, run it	23	to actually purchase a used gas turbine, I
24	up, it's been successful so far and we bought	24	guess, versus overhauling your existing unit,
25	a project before the Board now to get this	25	is one that you haven't decided yet. It's one
	Page 107		Page 108
1	that you will look at, at the time?	1	CHAIRMAN:
2	A. That's correct.	2	Q. So, if Mr. Delaney is ready, Mr. Kennedy, I
3	Q. Okay, so is it you're seeking approval from	3	guess you want to resume?
4	the Board then under this project to do either	4	MR. KENNEDY:
5	one of those? Because the way the project is	5	Q. Yes, Chair, I have a few more questions for
6	presented, it's an actual approval for the	6	Mr. Delaney, but I think this will hopefully
7	turbine overhaul, but you could determine in	7	might finish today, so Mr Dalapay, the
8	2005 that you may actually, in fact, purchase		might finish today, so. Mr. Delaney, the
	2005 that you may actually, in fact, purchase	8	first thing I wanted to ask you a question
9	a used gas turbine?	8 9	first thing I wanted to ask you a question about was just an issue concerning the
9 10	a used gas turbine? A. Yes, we'll solve the problem for whatever is		first thing I wanted to ask you a question about was just an issue concerning the contributions in aid of construction and how
	a used gas turbine?A. Yes, we'll solve the problem for whatever is least cost. We have there the estimate to	9	first thing I wanted to ask you a question about was just an issue concerning the contributions in aid of construction and how that works just so we can get it on the
10	a used gas turbine?A. Yes, we'll solve the problem for whatever is least cost. We have there the estimate to overhaul the unit that we've gotten from	9 10	first thing I wanted to ask you a question about was just an issue concerning the contributions in aid of construction and how that works just so we can get it on the record. I think the first place to start
10 11 12 13	a used gas turbine?A. Yes, we'll solve the problem for whatever is least cost. We have there the estimate to overhaul the unit that we've gotten from Rolls-Royce and their facility that overhauls	9 10 11	first thing I wanted to ask you a question about was just an issue concerning the contributions in aid of construction and how that works just so we can get it on the record. I think the first place to start would be the variance report again. And
10 11 12	a used gas turbine?A. Yes, we'll solve the problem for whatever is least cost. We have there the estimate to overhaul the unit that we've gotten from Rolls-Royce and their facility that overhauls these types of engines, but at the same time,	9 10 11 12	first thing I wanted to ask you a question about was just an issue concerning the contributions in aid of construction and how that works just so we can get it on the record. I think the first place to start would be the variance report again. And that's Volume 1, yeah. And the status
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	Page 109		Page 110
1 1	MR. KENNEDY:	1	of the project and the number of customers
2	And then item No. 14, and these were an	2	impacted and the total cost and the
3	increase in your extensions budget related to	3	contribution in aid of construction to recover
4	customer driven projects. Examples of	4	or recovered and any other details. And
5	significant projects include Humber Valley	5	flipping over to the other page, the page 2 of
6	Resort development in the Corner Brook area,	6	2, there's two there that, I guess, caught my
7	the INCO, Voisey's Bay demonstration plant in	7	eye, three, really. There's the Humber Valley
8	Argentia and a line extension for various	8	Resort, Phase 2, Corner Brook area. Number of
9	services previously served by the distribution	9	customers, 16 residential. Total cost,
10	system operated by the Argentia management	10	338,360. And the contribution in aid of
11	authority. And then if we could just go over	11	recovery was 29,298. And similarly for your
12	to 18? This is to explain the variance of	12	the Phase 3, which is split, I guess, between
13	\$385,000, which is actually I've worked out	13	residential and commercial, project costs of
14	164 percent over budget on that item. The	14	108,000, 18,867 as the CIAC. But then if you
15	variance is a result of higher than expected	15	look at the next one, it goes St. Fintan's
16	number of third party requests to relocate	16	Cell Site, Stephenville area, one commercial
17	distribution lines. And they were completed	17	customer, the cost of the project was 64,000
18	by Department offor Department of	18	but the contribution in aid of construction
19	Transportation work as well as replacements	19	was 85,777. So, I'm wondering if you could
20	required by the cable television company.	20	provide an explanation, first, why the
21	Now, just setting that as the groundwork, I	21	contributions in aid of construction for, in
22	wonder if we could go to PUB-59? And this is	22	particular, the Humber Valley projects seem to
23	relating to that note 14 on the extensions and	23	be so low in comparison to the cost of the
24	explaining the variance of the million 898.	24	project, what would be the policy followed
25	And then there's a list there of the location	25	there, and secondly, why in the case of, for
	Page 111		Page 112
1	Page 111 instance, another project like St. Fintan's	1	Page 112 would get, the difference is what the customer
1 2		1 2	C
	instance, another project like St. Fintan's		would get, the difference is what the customer
2	instance, another project like St. Fintan's Cell, the contribution in aid of construction was actually in excess of the project cost?	2	would get, the difference is what the customer has to make up in terms of the CIAC upfront, the CIAC cost. It's done as per policy
2 3	instance, another project like St. Fintan's Cell, the contribution in aid of construction	2 3	would get, the difference is what the customer has to make up in terms of the CIAC upfront,
2 3 4	instance, another project like St. Fintan'sCell, the contribution in aid of constructionwas actually in excess of the project cost?A. When we determine the CIAC that's required for	2 3 4	would get, the difference is what the customer has to make up in terms of the CIAC upfront, the CIAC cost. It's done as per policy approved by the Board on an individual basis.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	 instance, another project like St. Fintan's Cell, the contribution in aid of construction was actually in excess of the project cost? A. When we determine the CIAC that's required for any particular extension, we're governed by the CIAC policy as approved by the Public Utilities Board. The concept behind that policy or the underlining the rules of the policy is that you look at your customer and try toand you estimate the future revenue stream from that customer. And for each customer we will provide a minimum, an investment in terms of hooking that customer up to the system. So where the customer's future revenues are not compensatory or greater than that investment that we'll lay out first, then that customer would be required to pay a CIAC and this is governed under the CIAC policy. So in the case of the Humber Valley Resort we'd estimate our cost, estimated the future revenue stream from Humber Valley Resort, CIAC policy tells us 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	would get, the difference is what the customer has to make up in terms of the CIAC upfront, the CIAC cost. It's done as per policy approved by the Board on an individual basis. The Board would have specifically approved both of those projects and the detailed calculations therein. In a situation like the St. Fintan's Cell Site, in some situations where we're building extremely long lines to service one very small customer, in this case a \$64,000 line gone in to serve a very small load, we also look at the operating and maintenance cost for that line going down, going into the future. And in some cases it will actually be the case that the customer has to pay us more upfront than the cost of building the line because that will take into account the operating and maintenance cost we have to recover over time. So in some cases CIAC could actually even be bigger than the capital cost. But all of these are done, approved by the CIAC policy of the Board.

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1	MR. KENNEDY:	1	replacement of distribution lines for third
2	Brook area, if you just scroll down there, for	2	parties, and that was the one that had the
3	a project cost of 219,813, but there was zero	3	variance of 385,000 but was 164 percent over
4	dollars in contribution in aid of	4	budget. You've got Aliant in there,
5	construction. And again, that would have been	5	September, 2003, forecast cost, and this is
6	something in accordance with the CIAC policy?	6	for year to date in June, 2004, 214,000 and
7	A. Yes, that's correct. We would have done the	7	then the recovery amount as 25,000. So,
8	calculation and determined that no CIAC was	8	again, is that done in accordance with CIAC
9	involved in that, in Phase 1 of the Humber	9	policy then, the recovery of project cost for
10	Valley project.	10	the relocation of lines specifically requested
11	Q. And what goes into your invested plant and	11	by third parties, presumably Aliant in this
12	therefore constituted part of your rate base	12	case?
13	is the net of those two, it would be the net	13	A. The recovery of the cost associated with
14	of your total project cost less your	14	relocates and rebuilds for Aliant are governed
15	contribution in aid of construction?	15	under the support structure agreement that we
16	A. I understand that to be so. I'm not an expert	16	have with Aliant that we entered into in 2001.
17	on rate base, but there is a line item in our	17	There's a myriad, there are a number of
18	rate base calculation for contributions for	18	combinations, a number of various scenarios
19	country homes and contributions in aid of	19	out there with respect to the replacement and
20	construction. Lisa Hutchens would be our	20	relocating a pole that we could encounter.
21	expert in terms of the application of that	21	Generally it works like this, when Aliant
22	formula.	22	needs to build newbring in new wires, put up
23	Q. If we could go to PUB-63? And if we could	23	new wires on the pole, if the poles have to be
24	just scroll down? This is relating to the	24	replaced or relocated to accommodate that,
25	note 18, which is the relocation and	25	then we pay the cost of the pole, because
-	Page 1		Page 116
	rage 1		
1	we're the landlord sort of a landlord rental		
$\begin{vmatrix} 1 \\ 2 \end{vmatrix}$	we're the landlord, sort of a landlord rental	1	hadn't actually budgeted anything for the
2	agreement, and Aliant would pay for our	1 2	hadn't actually budgeted anything for the mechanical maintenance shop in your 2004
2 3	agreement, and Aliant would pay for our transfer costs, those are the costs associated	1 2 3	hadn't actually budgeted anything for the mechanical maintenance shop in your 2004 capital budget application. Is that correct?
2 3 4	agreement, and Aliant would pay for our transfer costs, those are the costs associated with transferring our line off the old pole	1 2 3 4	hadn't actually budgeted anything for the mechanical maintenance shop in your 2004 capital budget application. Is that correct?A. That's correct.
2 3 4 5	agreement, and Aliant would pay for our transfer costs, those are the costs associated with transferring our line off the old pole onto the new pole, and we apply a betterment	1 2 3 4 5	hadn't actually budgeted anything for the mechanical maintenance shop in your 2004 capital budget application. Is that correct?A. That's correct.Q. Okay. So if we could just keep that in mind
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	Page 117		Page 118
	MR. KENNEDY:	1	technology in, some support. The strategy is
2	stations for additional staff assigned to work	2	all about planning jobs, scheduling jobs,
3	on the asset management initiative. And the	3	doing it right the first time, being
4	description is in this document we've got on	4	productive, being efficient, extending the
5	the screen is to renovate the maintenance	5	service life of the equipment, all these
6	centre to accommodate generation mechanical	6	things. To accomplish that we had to put the
7	maintenance personnel. So, is that the same	7	team together in one location. And it was an
8	I guess what I'm asking is is you spent	8	oversight in the 2004 budget. There should
9	\$49,000 in 2004 which wasn't specifically	9	have been money allocated in 2004 to achieve
10	budget approved, but you have \$100,000	10	that purpose. We put our group together in a
11	budgeted in 2005, and it seems to be one and	11	garage, it's a building adjacent to Duffy
12	the same, that the amount in 2005 is just a	12	Place that at one time had been a vehicle
13	continuation of something that you started in	13	service centre. So what we basically had
14	2004, and if so, the obvious question is, why	14	there is we had our planners and schedulers in
15	wasn't this presented as a budget, a project	15	the building. Because of the oversight we
16	in 2005 of \$149,000 and to do the project with	16	never had the money. We had planners and
17	the specific approval of the Board?	17	schedulers in that building, working PCs and
18	A. The reason it wasn't presented in 2005 is	18	our spare parts put there, our tools, try to
19	because we had to do something right away.	19	bring the team together, asset management.
20	And I guess this points to the problems with	20	There was insufficient lighting, the
21	defining a project. I'll describe what	21	technicians were working in the loft of the
22	happened. In 2003, 2004 we embarked on asset	22	garage, there was a set of wooden steps that
23	management initiative in Newfoundland Power.	23	went up to that loft that were unacceptable,
24	It's about getting into predicting	24	it was dusty. It was a garage environment.
25	maintenance. We bought some information	25	So we looked at this earlier this year, said
	_		· · · · · · · · · · · · · · · · · · ·
	Page 119	1	Page 120
1	Page 119 this is unacceptable, we had to do something	1	Page 120 staging area for our mechanical maintenance
1 2	Page 119 this is unacceptable, we had to do something here. We went out and got a plan put together	1 2	Page 120 staging area for our mechanical maintenance men in terms of their spare parts and their
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1 2 3 4	Page 119 this is unacceptable, we had to do something here. We went out and got a plan put together and we had a design done as to for office area for our staff, staging area, proper storage of	1 2 3 4	Page 120 staging area for our mechanical maintenance men in terms of their spare parts and their equipment and have the team together, and it's been quite successful for us.
1 2 3 4 5	Page 119 this is unacceptable, we had to do something here. We went out and got a plan put together and we had a design done as to for office area for our staff, staging area, proper storage of the tools and equipment. And the whole plan	1 2 3 4	Page 120 staging area for our mechanical maintenance men in terms of their spare parts and their equipment and have the team together, and it's been quite successful for us. Q. Okay. I have one more series of questions
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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 119 this is unacceptable, we had to do something here. We went out and got a plan put together and we had a design done as to for office area for our staff, staging area, proper storage of the tools and equipment. And the whole plan cost \$150,000. So, this year we are under a lot of pressure with respect to capital. We are inwe deferred some projects, as I highlighted earlier, to manage the overall capital expenditure to get it to match budget. In this year I did not want to take the full \$150,000. I wanted to address the immediate problem of getting the employees off of that loft and into suitable work stations. So, yes, we could have put a project together for 150,000, brought it to the Board and immediately deferred two thirds of it, but we've been quite open and this is disclosed here in terms of the thing to do was to getI wanted to minimize that expenditure, do as little as I had to do this year. We got our staffthe project is done. We got our staff	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 120 staging area for our mechanical maintenance men in terms of their spare parts and their equipment and have the team together, and it's been quite successful for us. Q. Okay. I have one more series of questions relating to the variances and the definition of project, Mr. Delaney, and that's if we could go to the status report again and the Volume 1 status report and Appendix A, and it's item 1? There we go. And this had to do with the hydro plant's facility rehabilitation which went 252,000 over budget, which I calculated at 22 percent. And it indicates in here that the variance is primarily the result of implementing demand metering in plants for the hydro demand energy rate, installing fire and intruder alarm in our hydro plant buildings and an increase in the Rattling Brook generator rewind. Then it goes on to explain that the demand metering in the plants is required to implement a demand energy rate for Hydro's billing of Newfoundland Power.

Discoveries Unlimited Inc., Ph: (709)437-5028

Multi-Page[™] NF Power 2005 Capital Budget Application

Beh	emper 20, 2004 Mun	1-1 a	ge INF Fower 2005 Capital Duuget Application
	Page 121		Page 122
1 N	IR. KENNEDY:	1	that was zero, because it wasn't anticipated,
2	identified after completion of independent	2	I guess, at the time you did your 2003, you
3	risk inspections of the various plants. Now,	3	know, drafting of your 2004 capital budget,
4	if we could first just go to PUB-41.1? And	4	you're now forecasting \$100,000 expenditure
5	the question asked, "Explain why if the"and	5	under that item. And I guess in light of the
6	it was quote from that section, "the alarms	6	reply that, well, you didn't seek approval for
7	project was not originally included in the	7	the fire alarms because it was under 50,000,
8	budget for 2004, why if that was the case the	8	this item is clearly above 50,000, and I'm
9	Company did not seek approval from the Board	9	wondering if the Company has a position on
10	prior to proceeding with the project?" And	10	whether it intends to seek approval of the
11	the reply is that, well, under Section 41 of	11	Public Utilities Board of that budget item as
12	the Public Utilities Act approval is only	12	a separate project?
13	required if the cost of the construction or		2:25 p.m.)
14	purchase is in excess of 50,000 and the cost	14	A. Yes, we do. When this project came to our
15	to install the fire and intruder alarms was	15	attention, there was some urgency in getting
16	forecasted at 48,000 and consequently specific	16	some work done. The demand rate will be
17	prior approval of the Board is not required.	17	implemented, is said to be implemented on
18	Now, I wonder if we could just keep in mind	18	January 1st. We had quite a bit of work to do
19	that reply now look at PUB-48? And PUB-48	19	in our hydro plants and our thermal plants to
20	indicates that after a breakdown of the	20	get the proper metering in, so there was some
20	252,000 overrun under this item and as is	20	sense of urgency in getting this project off
22	indicated in the earlier reply, some of this	22	the ground. To date we've spent approximately
22	was attributable to a metering purchase for	22	\$20,000 and we anticipate that we will come
23	the proposed demand energy rate and that as	23	before the Board to seek approval for the
24	indicated in this chart, while the budget for	24	forecastfor the amount required.
2.5	_	-	
	Page 123		Page 124
1	Q. I just have one more series of questions, I	1	A. It is.
2	think, Mr. Delaney, and that's relating to	2	Q. Okay. And what about the justification for
3	your transmission rebuild part of your	3	43L?
4	project. And it says specifically there's two	4	A. 43L is a line that's build in 1946excuse me.
5	projects in there, B 29 and B 30. And this is	5	1956. Given the age and the overall
6	relating to the rebuilds of 43L and 124L, is	6	deterioration of the line it is our
7	that correct?	7	engineering judgment that it needs to be
8	A. That's correct.	8	replaced, the entire length of the line which
9	Q. Okay. And as I understood it, it was to	9	we willwe have divided the project into
10	address some SAIFI and SAIDI issues, is that	10	three parts and we anticipate rebuilding that
11	correct, on those lines?	11	entire line over the next three years.
12	A. No.	12	Q. Okay. Could we just go to PUB 9.3, please?
13	Q. Oh, okay. So what's the justification for the	13	And I'm interested in the SAIFI and SAIDI
14	project then?	14	specifics for your 43L line, sir. And to a
15	A. The justification for 124L is because the line	15	layman's interpretation of this data it would
16	is, there's not sufficient clearance between	16	seem to suggest that your SAIDI and SAIFI
17	the line and the ground and it is a public	17	figures for 43L are better than, generally
17 18	safety hazard.	18	better than your system average and in actual
17 18 19	safety hazard. Q. So, when you say rebuild, is thatthat	18 19	better than your system average and in actual fact you've had no interruptions there in 2003
17 18 19 20	safety hazard. Q. So, when you say rebuild, is thatthat doesn't involve a rebuilding of your towers	18 19 20	better than your system average and in actual fact you've had no interruptions there in 2003 or 2004 and none in 2001?
17 18 19 20 21	safety hazard. Q. So, when you say rebuild, is thatthat doesn't involve a rebuilding of your towers and all the associated hardware then, does it?	18 19 20 21	better than your system average and in actual fact you've had no interruptions there in 2003 or 2004 and none in 2001?A. That's correct.
17 18 19 20 21 22	safety hazard.Q. So, when you say rebuild, is thatthat doesn't involve a rebuilding of your towers and all the associated hardware then, does it?A. Yes, it does. It's a complete rebuild of the	18 19 20 21 22	better than your system average and in actual fact you've had no interruptions there in 2003 or 2004 and none in 2001?A. That's correct.Q. And if you go over to the Attachment A to this
17 18 19 20 21 22 23	safety hazard.Q. So, when you say rebuild, is thatthat doesn't involve a rebuilding of your towers and all the associated hardware then, does it?A. Yes, it does. It's a complete rebuild of the line.	 18 19 20 21 22 23 	better than your system average and in actual fact you've had no interruptions there in 2003 or 2004 and none in 2001?A. That's correct.Q. And if you go over to the Attachment A to this response, we look at page 2 of 3, and we look
17 18 19 20 21 22	safety hazard.Q. So, when you say rebuild, is thatthat doesn't involve a rebuilding of your towers and all the associated hardware then, does it?A. Yes, it does. It's a complete rebuild of the	18 19 20 21 22	better than your system average and in actual fact you've had no interruptions there in 2003 or 2004 and none in 2001?A. That's correct.Q. And if you go over to the Attachment A to this

	Page 125		Page 126
1 MR.	KENNEDY:	1	sees, it's a customer service measure. With
2	has got the SAIDI in 2002 of 1.9449, which is	2	respect to the rebuilding of transmission
3	above your system average of .9 and you have a	3	there are other factors that have to be
4	SAIFI on 43L in 2002 of 4, which is well above	4	addressed. 43L is a line where the
5	your system average of .84. But then if you	5	probability of cascading is very high. The
6	look at the reasons, there's three of them, a	6	way a transmission line is built, it's built
7	trip due to washing down insulators, line	7	at least cost, long distances, straight lines.
8	tripped while crew were washing down	8	So if you should get a failure in the line in
9	insulators and line crewline tripped while	9	a particular location, it can tend to cascade
10	crew were washing down insulators. And the	10	and you'll have a very, very big problem on
11	other ones are related to salt spray. So I	11	your hands. And 43L, of the lines we have, is
12	guess I'm wondering first, in light of the	12	very prone. It's prone to that cascading
13	fact that your SAIFI and SAIDI statistics seem	13	event should something fail.
14	to be much better than your system average and	14	The poles on the line are incredibly
15	that the majority of the reasons for the	15	dried out. We've walked the line. You can
16	outage in 2002 are actual human intervention,	16	touch the line with a hammer and the wood
17	if you will, by Newfoundland Power's own	17	chunks right off the poles. Our linemen, who
18	employees why a rebuild to 43L is going to	18	are most experienced with poles, have a lot of
19	improve things?	19	difficulty with 43L because of the shelling
20 A	When we evaluate transmission for replacement,	20	phenomenon. As you put your climbers in the
21	SAIDI and SAIFI are considerations, although	21	pole, it doesn'tyou don't hit the heart
22	they are not all we consider. SAIDI and SAIFI	22	wood, so to speak. You're only hitting the
23	in terms of planning I more or less look at	23	shell, and it's shelling off. They're not the
24	those statistics in terms of from a customer	24	safest poles in the world to climb.
25	service angle because it's what the customer	25	So knowing how the line is designed, with
	D 107		
	Page 127		Page 128
1	respect to this cascade issue, knowing that	1	Page 128 MR. ALTEEN:
1 2		1 2	-
	respect to this cascade issue, knowing that		MR. ALTEEN:
2	respect to this cascade issue, knowing that the poles are dried out, feedback from the	2	MR. ALTEEN: Q. Can we see RFI PUB-31.2 please, Colleen? Mr.
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	Page 129		Page 130
	CHAIRMAN:	1	A. Okay.
2	Q. Any questions, Commissioner Martin?		CHAIRMAN:
	COMMISSIONER MARTIN, Q.C.:	3	Q. Yes, that's it. I'm using this as an example
4	Q. No.	4	really, but it's the first one that I came
	CHAIRMAN:	5	across. In the project description, the work
6	Q. I have a couple, Mr. Delaney. Just a couple	6	includesI'm looking at the second paragraph-
7	of points of clarification. How old is the	7	-includes the replacement or rehab of major
8	gas turbine, by the way? I didn't find that	8	components at the following plants, and you
9	anywhere in the documentation.	9	name four or five plants there. Okay? Then
10	A. Subject to check, I think it's 36, could be	10	when you get down to the operating experience
11	37.	11	and you talk about the project costs over the
12	Q. Okay. I wondered. If you look at page 10 of	12	past five years, you include certain dollar
13	73 of your Schedule B, Volume 1, page 10, do	13	figures, and my question is that these dollar
14	you have it in front of you there? Or you're	14	figures that are included there are not
15	waiting for the screen? Okay.	15	necessarily dollars spent on the five named
16	A. I was waiting for the screen as my -	16	plants in the first section of the project
17	Q. Well, let's wait for it.	17	description, is it?
18	A. For things unforeseen? My binder is a little	18	A. That's correct.
19	bit -	19	Q. Hydro plants facility we have is a category or
20	MR. ALTEEN:	20	a classification. No, it's a project title,
21	Q. Next page, Colleen, please.	21	I'm sorry, classification is energy supply?
22	CHAIRMAN:	22	A. It's a project title within energy supply,
23	Q. There we are.	23	yes.
24	MR. ALTEEN:	24	Q. Yes. It's a project title within energy
25	Q. That's it.	25	supply.
	D 121		
	Page 131		Page 132
1	Page 131 A. So from year to year, there would be different	1	Page 132 O. You probably will find it further on?
$\begin{vmatrix} 1 \\ 2 \end{vmatrix}$	A. So from year to year, there would be different	1	Q. You probably will find it further on?
2	A. So from year to year, there would be different plants with various work done on it, and that	2	Q. You probably will find it further on?A. Yes, you could find it further on.
2 3	A. So from year to year, there would be different plants with various work done on it, and that project cost, the history is for the project,	2 3	Q. You probably will find it further on?A. Yes, you could find it further on.Q. Yes, but looking at the face of it on Schedule
2 3 4	A. So from year to year, there would be different plants with various work done on it, and that project cost, the history is for the project, not the plants.	2 3 4	Q. You probably will find it further on?A. Yes, you could find it further on.Q. Yes, but looking at the face of it on ScheduleB, page 10 of 73, you could be mislead by the
2 3 4 5	A. So from year to year, there would be different plants with various work done on it, and that project cost, the history is for the project, not the plants.Q. As a matter of fact, the dollars that are	2 3 4 5	 Q. You probably will find it further on? A. Yes, you could find it further on. Q. Yes, but looking at the face of it on Schedule B, page 10 of 73, you could be mislead by the numbers, and that may be as much our fault as
2 3 4 5 6	A. So from year to year, there would be different plants with various work done on it, and that project cost, the history is for the project, not the plants.Q. As a matter of fact, the dollars that are shown here spent between 2000 and 2004, none	2 3 4 5 6	 Q. You probably will find it further on? A. Yes, you could find it further on. Q. Yes, but looking at the face of it on Schedule B, page 10 of 73, you could be mislead by the numbers, and that may be as much our fault as yours because I think we asked you to show
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	Page 133		Page 134
1 0	CHAIRMAN:	1	longer period of time, there would be some
2	million. I have two questions in relation to	2	detriment to reliability. Reliability will
3	that. One is would reliability suffer if	3	suffer to some degree if we extend it over a
4	these amounts were spaced out over a longer	4	long period of time. If we shorten it up,
5	term? And I'm particularly talking here about	5	yes, we could bring our operating costs down.
6	the amount you show in the '07 to '09 period.	6	Q. Okay. Have you done any calculations or have
7	Would there be any detrimental impact on	7	youwell, in dealing with projects such as
8	reliability if that were spaced out over a	8	this one and looking down the road four and
9	longer term? And before you answer that, the	9	five years, is it your practice to do an
10	second question I have is, what benefits would	10	assessment of what those costs are for the
11	there be to shortening it up or compressing	11	longer term or the compressed term?
12	the term? And I'm thinking of the advantages	12	A. Exactly. We plan in 2005 to focus some
13	that you might pick up in the operations costs	13	engineering in studying our transmission line
14	side of the project, it's impact on your	14	system. I'll describe to you the situation
15	operating costs if the reliability is improved	15	we're dealing with. In the plan, you'll
16	over a shorter period. And I'm sure you	16	notice, you notice correctly that transmission
17	follow what I'm saying here.	17	line expenditures seem to be increasing in the
18	A. Yes, I know what you're saying.	18	plan. What we're dealing with, with
19	Q. Okay. So maybe you could deal with both parts	19	Newfoundland Power, isI try to stay out of
20	of that, Mr. Delaney.	20	the chief engineering. Around the early 60s,
21	A. Okay. There's a short answer and a bit of	21	there's a divide in transmission line
22	explanation behind it.	22	construction. After the early to mid 60s,
23	Q. You give whatever answer you want to give,	23	it's not athis never happened on one day.
24	because we've got lots of time.	24	It kind of happened over time. Transmission
25	A. The reality is if we extend this out over a	25	line assets became engineered. They were
	Page 135		Page 136
1		1	0
1 2	designed. They were designed, surveyed,		transmission, when you have transmission
	designed. They were designed, surveyed, designed, designed for ice loading, designed	1	transmission, when you have transmission problems, they tend to be very expensive when
2	designed. They were designed, surveyed,	1 2	transmission, when you have transmission problems, they tend to be very expensive when you have them.
2 3	designed. They were designed, surveyed, designed, designed for ice loading, designed for strength, wind, all these things, you know.	1 2 3	transmission, when you have transmission problems, they tend to be very expensive when
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2 3 4 5	designed. They were designed, surveyed, designed, designed for ice loading, designed for strength, wind, all these things, you know.Q. They got more sophisticated.A. More sophisticated.	1 2 3 4 5	transmission, when you have transmission problems, they tend to be very expensive when you have them. So if we were to approach that over the next ten years, so that no line ever exceeded, the line built in 1960 would be replaced in
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	D 127		D 120
	Page 137		Page 138
	IR. DELANEY:	1	terms of your budget, each year since
2	just go in and replace a pole here, replace a	2	approximately 2000. What do you anticipate
3	pole there, like a distribution line. With	3	will happen in this regard in subsequent
4	transmission, you got to design the whole line	4	years? I don't get that information from
5	because one pole is dependent on what the	5	reading the information you filed, but I can
6	other poles are, in terms of their sizes and,	6	see the advantages and the benefits of using
7	you know, the strength of the line.	7	automatic meters, you know. It enables you, I
8	So realizing that we have a lot of old	8	think, to do your meter reading faster. I
9	transmission, trying to look at the time	9	think you addressed that here somewhere. Have
10	frame, you know, how long are we going to run	10	you done any studies to indicate what will be
11	this stuff, you know, 60, 55 years old? We	11	the extend of that program, say over the next
12	put the preliminary stages of a plan together	12	five or ten years? Do you have any feel for
13	that's telling us that we're going to have to	13	that or am I premature in the question?
14	start to up the investment in transmission or	14	A. No, no. It's very much on our mind. In 2004,
15	we're going to snow plough an awful lot of	15	this year, sometimes I get mixed up a bit in
16	problems out five, ten-year time frame. So	16	budgeting, but we're doing a significant
17	this plan does show some increase in that	17	number of AMRs this year. Getting our foot in
18	transmission line expenditure.	18	the door, so to speak. Testing to make sure
19	Q. Okay. Page 34 of 73, I just have a general	19	all this technology works. And the approach
20	question in relation to that. Your AMR	20	we took this year, there were a number of
20	meters, I think that's what you refer to them	20	situations out there that were difficult to
21	as, automaticwhich enables automatic meter	22	access, some problems where meter readers had,
22	reading?	22	you know, indicated there were safety problems
	A. Yes, yeah.		with respect to these meters. So we sort of
24	•	24 25	targeted it that way, got our foot in the door
25	Q. Yes. They've been increasing in numbers, in	125	
	Page 139		Page 140
1	Page 139 with AMR. We've proposed nothing in 2005, but	1	Page 140 AMR now is no different than the other meters.
1 2	Page 139 with AMR. We've proposed nothing in 2005, but in 2005, we're going to do meter reading		Page 140 AMR now is no different than the other meters. So there's been a significant change in the
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2 3	Page 139 with AMR. We've proposed nothing in 2005, but in 2005, we're going to do meter reading strategy. You know, just look at meter reading totally within this company, all aspects of operating and capital expenditures	1 2 3	Page 140 AMR now is no different than the other meters. So there's been a significant change in the operating cost of AMR going forward, in terms of staying compliant with Measurement Canada. So that's got our interest. There are big
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2 3 4 5 6 7 8 9 10 11 12 13 14 (0 15 16 17 18 19 20 21 22	Page 139 with AMR. We've proposed nothing in 2005, but in 2005, we're going to do meter reading strategy. You know, just look at meter reading totally within this company, all aspects of operating and capital expenditures associated with meter reading, and AMR is going to be a big part of that. It's just premature right now with respect to the longer range plan where we're going to go. But, we're going to take that on next year as a project to analyze, you know, AMR with the possibility of bringing it forward in 2006 as a capital budget item. 2:45 p.m.) We're looking at interest to a lot of things that are going on in Canada right now. There is a bit of momentum behind AMR. There's been some changes at Measurement Canada which have sparked things. Prior to might have my timeprior to this year or last year, Measurement Canada required a much shorter interval with respect to the	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 140 AMR now is no different than the other meters. So there's been a significant change in the operating cost of AMR going forward, in terms of staying compliant with Measurement Canada. So that's got our interest. There are big initiatives going on in Ontario with respect to smart meters. So we'll be looking at the meter reading strategy next year and AMR will be part of it. Q. Mr. Delaney, you appear to be the type of a fellow who keeps up to date on what's going on in the industry. What's been the practice in other utilities with respect to AMRs? Is there much - A. The most advanced - Q. Is there an extensive use of them? A. Yes, the most advanced is ATCO Electric in Alberta. Q. Okay. A. If they're not 100 percent, they're pretty well close to 100 percent all AMR. Q. Yes.

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	Page 14	1	Page 142
1 1	MR. DELANEY:	1	A. Exactly.
2	There's some significant thingsI'm not	2	Q. Yes. I had some concern at one stage during my
3	totally up to date, because Ontario's market	3	reading of these documents about the
4	changes a lot, but the government has mandated	4	prioritization of your distribution line
5	some huge number, I don't know the number	5	rebuilds and so on, but I think that the RFIs
6	offhand, of smart meters that have to be	6	that were put forward, I think you've answered
7	installed by a certain date. But the leading	7	all of the questions that I had. Here's an
8	utility in Canada, in terms of AMR	8	interesting item that really has nothing to do
9	installation, is ATCO Electric in Alberta.	9	with what we're talking about. I just wanted
10	Q. Do they have any statistics that you have	10	to circulate this, and this is an opportune
11	access to, in terms of what cost savings there	11	time, and it's almost break time. Ms.
12	are? Because I can imagine a lot of cost	12	Blundon, would you? This is an article that
13	savings that there would be for the utility	13	appeared in the Financial Post and it's very
14	company, the meter reading side of it, for	14	interesting, certainly one that I'm sure, Mr.
15	sure.	15	Delaney, it wouldn't be a surprise to you.
16	A. Yes. I haven't asked them directly, but I sit	16	But this, briefly put, is an article that
17	on the distribution council of CEA with a	17	talks about the transmission of broadband over
18	representative from ATCO and the information,	18	electrical power lines, and this appeared in
19	you know, is something I'll be looking at from	19	August of this year. And I'm wondering if
20	him, in terms of when we do our AMR -	20	you're aware of what's happening in this area,
21	Q. When you do your long study. That's	21	in your industry. I'm thinking about it as
22	interesting.	22	another source of revenue for your company.
23	A. Yes, there's a lot of potential in AMR.	23	A. Like pole rentals.
24	Q. I'm sure there is, and you've really only	24	Q. Take away from the cost that the consumers are
25	scratched the surface.	25	bearing now. But, this has potential, I
	Page 14	3	Page 144
1	gather?	1	Attachment A, and on page V-5, I think it's
2	A. About a year ago, this was the big buzz in	2	still the same document, V-5was it V-5?
3	some distribution circles in CEA, Canadian	3	Wait now. I'm sorry. V-12. There's just an
4	Electrical Association.	4	interesting comment you had there in relation
5	Q. Yes, I read about it about a year ago, as a	5	to the HUM-09 line in Corner Brook. "Tree
6	matter of fact.	6	contact continues to be a major source of
7	A. Yes, about a year ago.	7	problems with this feeder. The community
8	Q. Yes.	8	desires the large trees in this area, however
9	A. It's certainly technically feasible. It's a	9	extensive tree trimming was completed on the
10	little bit farther along in Europe than it is	10	feeder. We will continue to monitor" and so
1	here. But I would characterize all the	11	on. So I gather, in that particular area,
11			
12	projects going on in North America as	12	which I'm familiar with, in terms of having
12 13	experimental at this stage.	12 13	been to Corner Brook several times over the
12 13 14	experimental at this stage. Q. Yes.		been to Corner Brook several times over the years, that trees would be a problem there.
12 13 14 15	experimental at this stage. Q. Yes. A. So we will follow it, with interest.	13 14 15	been to Corner Brook several times over the years, that trees would be a problem there. Are the outages that you've experienced such
12 13 14 15 16	experimental at this stage. Q. Yes. A. So we will follow it, with interest. Q. Good. I just thought I'd throw that in there.	13 14 15 16	been to Corner Brook several times over the years, that trees would be a problem there. Are the outages that you've experienced such thatwell, let me ask the question in another
12 13 14 15 16 17	experimental at this stage.Q. Yes.A. So we will follow it, with interest.Q. Good. I just thought I'd throw that in there.I'm sure that your company is going to follow	13 14 15 16 17	been to Corner Brook several times over the years, that trees would be a problem there. Are the outages that you've experienced such thatwell, let me ask the question in another way. Are the people that live in the area
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12 13 14 15 16 17 18 19 20 21 22	 experimental at this stage. Q. Yes. A. So we will follow it, with interest. Q. Good. I just thought I'd throw that in there. I'm sure that your company is going to follow it with interest. It certainly has some potential, seems like. I did have one more question here. Yes. Just a matter of interest, more than anything. I came across thethis is having to do with, let's see, PUB 	13 14 15 16 17 18 19 20 21 22	 been to Corner Brook several times over the years, that trees would be a problem there. Are the outages that you've experienced such thatwell, let me ask the question in another way. Are the people that live in the area aware of the reason for the outages? A. Yes. Q. When they're caused by trees? A. Yes. I'm from Corner Brook myself and I'm very familiar with the tree problems in Corner

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1 MR. DELANEY:	1 Q. Is this a good time for our break in the
2 with respect to trees, we are out in full	2 afternoon, while we're changing witnesses?
3 force trying to get trees trimmed. We try to	3 MR. ALTEEN:
4 make sure that it's top of awareness at the	4 Q. Probably would be. We can change a witness.
5 time, as well, because people will tend to	5 Get to another witness. Have another little
6 forget that later on in the year.	6 break, get to the third witness.
7 Q. There's no coincidence in the fact that I ask	7 CHAIRMAN:
8 that question and the other two commissioners	8 Q. Okay. Let's do that. We'll come back in 15
9 on this panel are from Corner Brook, by the	9 minutes.
10 way.	10 (BREAK - 2:53 p.m.)
11 A. And the witness.	11 (RESUME - 3:10 P.M.)
12 Q. And the witness. Anyhow, that's all the	12 CHAIRMAN:
13 questions that I had. Now then, Mrwho's	13 Q. Okay, Mr. Alteen.
14 next? Mr. Kennedy?	14 MR. ALTEEN:
15 MR. KENNEDY:	15 Q. Thank you, Mr. Chairman.
16 Q. Yes. Nothing arising, Chair.	16 CHAIRMAN:
17 CHAIRMAN:	17 Q. We got Mr. Collins?
18 Q. Nothing arising?	18 MR. ALTEEN:
19 MR. KENNEDY:	19 Q. Peter Collins.
20 Q. No.	20 MR. PETER COLLINS, SWORN
21 MR. ALTEEN:	21 CHAIRMAN:
22 Q. Nothing, Mr. Chairman.	22 Q. Thank you. Be seated, please. Okay, Mr.
23 CHAIRMAN:	23 Alteen.
24 Q. Nothing arising. Thank you, Mr. Delaney.	24 MR. ALTEEN:
25 A. Thank you, Mr. Chairman.	25 Q. Thank you, Mr. Chairman. Please state your
Page	Page 148
1 name, your position, and the matters on which	C C
2 you'll be testifying today.	2 technology for 2005 to 2009 remains unchanged
3 A. And good afternoon, Mr. Chairman,	3 since 1999. We will continue to invest in and
4 Commissioners. My name is Peter Collins. I'n	n 4 use technology to improve customer service,
5 the manager of information systems at	5 operating efficiencies and reliability. We
6 Newfoundland Power. I will be testifying on	6 will accomplish this by focusing on getting
7 the proposed \$3.243 million in the information	
8 systems category of the 2005 Capital Budget	8 investments. This will be done in two ways:
9 application.	9 number one, by upgrading or enhancing our
10 Q. In this proceeding, Mr. Collins, Newfoundland	
11 Power has filed in its principle submission	secondly, by extending the life of our
12 materials relating to the information	12 technology assets.
13 technology expenditure proposed for 2005,	13 Q. Can you please give the Board an overview of
14 variances analysis and explanations for 2004,	14 how information technology is generally used
and in addition, they've responded to request	15 within Newfoundland Power, Mr. Collins?
16 for information from Board staff on	16 A. Technology allows us to offer our 220,000
17 information systems matters. Were these	17 customers more choices in how they interact
18 materials prepared under your direction?	18 with us, such as: through an automated voice
19 A. Yes, they were.	19 response system or IVR; through electronic
20 Q. And do you adopt them today as your pre-filed	
21 evidence in this proceeding?	21 choosing to speak to a live contact centre
22 A. Yes, I do.	22 agent. Technology allows us to offer choices,
23 Q. Mr. Collins, could we start with a comment on	
24 your outlook for information technology for	they would like to be billed. They can choose
25 the next five years?	25 options, such as: a 10 or 12-month equal
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1 MR. COLLINS:	1	can cost effectively respond to trouble on the
2 payment plan; automatic deduction payment	2	electrical system and minimize outage
3 plan; or electronic billing. These options	3	durations for customers.
4 would not be possible without the use of	4	Overall, our use of technology at
5 technology. In order for the company to be	5	Newfoundland Power has three focuses. We want
6 productive and efficient, technology allows us	6	to improve upon the service we provide to our
7 to manage large volumes of data that would be	7	customers. We want to become more productive
8 impossible to do manually. We must process	8	by improving our operating efficiency and we
9 large amounts of information on a daily,	9	want to improve our electrical system
10 weekly and yearly basis. Applications, such	10	reliability.
11 as the Great Plains Financial system, allow us	11	Q. Can you provide the Commissioners with an
12 to capture, process and store large volumes of	12	overview of the categories of projects that
13 data very efficiently. The customer service	13	are found in the information systems budget,
14 system allows us to process millions of meter	14	Mr. Collins?
15 readings and bills each year.	15	A. Yes. At this time, I would ask Colleen to
16 Technology is also helping us to improve	16	bring up Schedule B, page eight of 73, please.
17 the reliability of the electrical system. At	17	Information technology, by its very nature, is
18 the system control centre on Topsail Road, the	18	often difficult to comprehend. Let me explain
19 SCADA application monitors and controls much	19	what I mean by the various project categories
20 of the electrical system across the province.	20	that you see before you on the screen. To do
21 For monitored distribution and transmission	21	this, I'll use an example of a customer being
22 lines, this application gives us immediate	22	served by an employee in our Corner Brook
notification of outages on the electrical	23	office, and how technology comes into play.
24 system, rather than wait for a customer call.	23	We use a network to connect our offices across
25 Using SCADA's remote control capability, we	25	the province. This network is used for such
		-
Page 151		Page 152
1 things as sharing information between		on the screen. It's the last project on the
2 employees, updating customer information, and	2	screen.
3 monitoring the status of the electrical	3	Continuing on with this example then, the
4 system. The Corner Brook office is connected	4	customer wants to sign up for electronic
5 to the St. John's office by the network.	5	billing or e-bills. E-bills allow customers
6 Network components are budgeted for in the	6	to receive their bills in their e-mail, rather
7 network infrastructure line item that you see	7	than receive a printed bill in the mail. Last
8 on the screen. On the employee's desk in	8	year we improved or enhanced our customer
9 Corner Brook is a personal computer. These	9	service system application in order to be able
10 personal computers are budgeted in the	10	to provide this service to our customers.
11 personal computer infrastructure category that	11	This is the type of project that can be found
12 you see on the screen. On the employee's	12	in the application enhancements category,
13 personal computer, there are applications,	13	which is the first project on the screen.
14 such as the customer service system, that the	14	Application enhancements in general are all
15 employee uses every day to perform his work	15	about making improvements to customer service
16 duties.	16	and operating efficiency. In fact, e-bills is
17 To serve the customer, the employee in	17	an example of both improvements to customer
18 Corner Brook looks up the customer's account	18	service and improving our operating
19 information. This customer information is	19	efficiency.
20 stored on a shared server in St. John's and	20	In order for us to be able to make such
121 sont over the network to the employee's	1	anhoncoments to our systems we need to be
21 sent over the network to the employee's	21	enhancements to our systems, we need to be
22 personal computer in Corner Brook. The shared	22	able to test changes that we are making to
 personal computer in Corner Brook. The shared servers that centrally store data, such as 		able to test changes that we are making to applications such as the customer service
22 personal computer in Corner Brook. The shared	22	able to test changes that we are making to

Multi-Page[™] NF Power 2005 Capital Budget Application

Page 153 The COLINS: Page 154 1 MR.COLINS: 1 information systems projects that are actually 2 work for customers before we make them 2 proposed in this 2005 Capital Budget, Mr. 3 available to customers. This is important 3 Collins? 4 because I don't want any changes that we make 4 A There are six projects in the information 5 to cause something else to fail. I cannot 5 systems category, totalling 53.243 million of 7 software necessary for this testing is an 7 proposed 2005 Capital Budget. These projects 9 environment line item, which is the second 9 in technology. This total of \$3.243 million 10 includes upgrades that we must make to our 1 systems since 1997 and is 20 percent lower 13 such as Microsoft and Oracle. This means that 13 The first project on the screen, the 14 if we have a problem with software, such as 14 applications. There are over 30 applications 15 our informet wobsite, for special minus 17 in use throughout the company. This project 16 able to call the supplier to help us to 16 applications. We are improving in 2005 are the 17 quickly correct the problem. 17 <th>Beh</th> <th>tember 20, 2004 Multi</th> <th>1-1 a</th> <th>ge NF Power 2005 Capital Budget Application</th>	Beh	tember 20, 2004 Multi	1-1 a	ge NF Power 2005 Capital Budget Application
2 work for customers before we make them 2 proposed in this 2005 Capital Budget, Mr. 3 available to customers. This is important 4 A There are six projects in the information 5 to cause something else to fail. I cannot 5 systems category, totalling 53.243 million or 7 software necessary for this testing is an 7 proposed 2005 Capital Budget, Mr. 8 example of what is included in the application 9 in technology. This total of \$3.243 million or 9 environment line item, which is the second 9 in technology. This total of \$3.243 million 10 in technology. This total of \$3.243 million systems since 1997 and is 20 percent lower 12 software to maintain support from suppliers, 12 The first project on the screen, the 13 such as Microsoft and Oracle. This means that 14 applications. There are over 30 applications. 14 if weave a problem with software, such as 14 applications. There are over 30 applications. 15 our internet website, for example, we will be 16 to make further improvements to existing 16 able to call the supplier to help us to 14		Page 153		e
savailable to customers. This is important 3 Collins? 4 because I don't want any changes that we make A. There are six projects in the information 6 risk interrupting service to customers. The approximately seven percent of the total 7 software necessary for this testing is an approximately seven percent of the total 9 environment line item, which is the second 9 10 project on the screen. This line item also 10 11 includes upgrades that we must make to our 11 12 software to maintain support from suppliers. 13 13 such as Microsoft and Oracle. This means that 13 14 if we have a problem with software, such as 14 15 our internet website, for example, we will be 15 in use further improvements to existing 16 able to call the supplicr to help us to 16 applications. There are over 30 applications 18 The customer systems replacement line will 20 commers with software, such as 21 there stap application. 17 applications. 18 22 orongle app	1 N	MR. COLLINS:	1	information systems projects that are actually
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5 to cause something else to fail. I cannot 5 systems category, totalling \$3,243 million or 6 risk interrupting service to customers. The 6 approximately seven percent of the total 7 software necessary for this testing is an 7 approximately seven percent of the total 8 example of what is included in the application 8 are reflective of our strategy for information 9 environment line item, which is the second 9 in technology. This total of \$3,243 million 10 project on the screen. This line item also 10 is the lowest capital budget for information 11 includes upgrades that we must make to our 11 systems since 1997 and is 20 percent lower 13 such as Microsoft and Oracle. This means that 13 The first project on the screen, the 14 if we have a problem with software, such as 14 applications. There are over 30 applications 16 able to call the supplier to help us to 16 totals \$1,087,000. Some examples of 18 The customer systems replacement line 18 totals \$1,087,000. Some examples of 19 iere on the screen is the 21 management system to provide efficiencies 24 </td <td>3</td> <td>available to customers. This is important</td> <td>3</td> <td>Collins?</td>	3	available to customers. This is important	3	Collins?
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Page 155Page 1551our 110 transmission lines.12The next project on the screen is the23application environment project. Investment34in the application environment project. Investment35upgrade outdated software and to ensure our56applications are working properly. This67project totals \$710,000. This amount is about78what we spend each year to keep our technology89environment up to date. In 2005, for example,910we are upgrading key software used by customer1011this software beyond February of 2005.1312this software beyond February of 2005.1314Upgrading this software will ensure that these1415supported by the supplier.1616supported by the supplier.1617The next project. As outlined in the1818replacement project. As outlined in the1819customer service system study that we filed1910with the Board last year as part of the 2004202011with also look for ways to reduce our21Capital Budget application, the obsolescence2122of Open VMS is an ongoing issue that we are2223of Open YMS is an ongoing issue that we are2224plays a vital role in making sure the customer2125sa an ongoing issue that we are2224 </td <td>24</td> <td>with this aging application.</td> <td>24</td> <td></td>	24	with this aging application.	24	
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21Capital Budget application, the obsolescence21reliance on Open VMS over the next several22of Open VMS is an ongoing issue that we are22years. By reducing the size and complexity of23monitoring. As the operating system, Open VMS23the existing customer service system, the24plays a vital role in making sure the customer24replacement cost of a new system will be	19	customer service system study that we filed	19	for every year we can defer its replacement.
22of Open VMS is an ongoing issue that we are monitoring. As the operating system, Open VMS plays a vital role in making sure the customer22years. By reducing the size and complexity of the existing customer service system, the replacement cost of a new system will be	20	with the Board last year as part of the 2004	20	I will also look for ways to reduce our
 monitoring. As the operating system, Open VMS plays a vital role in making sure the customer the existing customer service system, the replacement cost of a new system will be 	21	Capital Budget application, the obsolescence	21	reliance on Open VMS over the next several
24 plays a vital role in making sure the customer 24 replacement cost of a new system will be	22		22	years. By reducing the size and complexity of
	23	monitoring. As the operating system, Open VMS	23	the existing customer service system, the
25 service system is available to serve 25 reduced.	24	· ·	24	replacement cost of a new system will be
	25	service system is available to serve	25	reduced.

Sep	tember 20, 2004 Mult	ti-Pag	e [™] NF Power 2005 Capital Budget Application
	Page 157	7	Page 158
1 1	MR. COLLINS:	1	communications network.
2	The customer systems replacement project,	2	The next project, the personal computer
3	totalling \$144,000, will allow us to reduce	3	infrastructure project, is required to allow
4	our reliance on the Open VMS operating system	4	the company to keep its personal computers and
5	and improve operating efficiencies. We will	5	associated technology from becoming obsolete.
6	continue to monitor industry developments in	6	This project totals \$455,000. There are
7	this area to ensure that the risk to customer	7	essentially two groups of employees at
8	service and the company are being managed	8	Newfoundland Power. One group has high
9	appropriately.	9	personal computer capacity requirements and
10	The fourth project on the screen is the	10	one group has low personal computer capacity
11	network infrastructure project. This will	11	requirements. Employees with high capacity
12	allow us to make improvements to the company's	12	requirements will receive a new personal
13	network. This project totals \$276,000. As I	13	computer. Their old personal computers are
14	described earlier, the network allows	14	reassigned or cascaded to employees with low
15	employees and customers to access information	15	capacity requirements. This extends the
16	from applications, such as the customer	16	useful life of our personal computers and
17	service system. In 2005, a significant	17	minimizes costs.
18	project in this category is the replacement of	18	We have been constantly improving the way
19	the network switch in the system control	19	we manage personal computers. In recent
20	centre at Topsail Road for \$129,000. Through	20	years, the company has increased their useful
21	this network switch, the system control centre	21	life. For 2005, the desktop computers to be
22	is connected to the St. John's Regional Office	22	replaced will be over five years old, although
23	at Duffy Place and to head office on Kenmount	23	laptop computers will be four years old. In
24	Road, as well as several offices across the	24	2005, we will be replacing just under 20
25	province. It is a key link on our	25	percent of the company's personal computers.
	Page 159)	Page 160
1	The last project is the shared server	1	Collins?
2	infrastructure project. This project is	2	A. Yes. The information systems projects that
3	required to allow the company to keep its	3	you see on the screen reflect our overall
4	shared servers from becoming obsolete. The	4	approach of getting more value from existing
5	shared server infrastructure project totals	5	investments. Sometimes this takes the form of
6	\$571,000. In 2005, we will be replacing five	6	upgrading and enhancing our existing
7	servers that have reached the end of their	7	technology and sometimes it takes the form of
8	useful lives. Shared servers generally have a	8	extending the lives of our technology assets.
9	useful life of about five years. The five	9	By recent historical standards, this is a low
10	servers I am replacing in 2005 average over	10	budget for information systems. Our need to
11	seven years old. Like personal computers,	11	invest in technology is not as great next
12	this is another case where I am exceeding	12	year, in part because we are getting more
13	industry averages on the life of our	13	value from our existing technology through
14	equipment.	14	upgrades and enhancements, and we are
15	As well, this project will focus on	15	extending the useful lives of the technology
16	improving the security of customer and company	16	for as long as we can.
17	information. Security concerns range from the	17	In summary, Mr. Chairman and
18	malicious, such as viruses and hacking, to the	18	Commissioners, this budget is least cost and
19	accidental, such as system crashes due to	19	is directed at improving customer service,
20	hardware failures, software bugs and even	20	operational efficiencies and reliability.
21	fires. Securing the company's customer data	21	Thank you.
22	from these threats is critical to maintaining	22	Q. That concludes the witness' testimony in
23	current levels of operating efficiencies and	23	direct, Mr. Chairman. He's available for
24	customer service.	24	cross-examination.
25	Q. Do you have any concluding remarks, Mr.	25 C	HAIRMAN:

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	Page 161		Page 162
1	Q. Thank you, Mr. Alteen. Mr. Kennedy.	1	year life span, gives a present value of
2 1	MR. KENNEDY:	2	11,125? Correct?
3	Q. Thank you, Chair. Mr. Collins, I wonder if we	3	A. Yes, that's correct.
4	could just look at the issue of the	4	Q. Okay. And so, and the positive figure denotes
5	calculation of the impact of the productivity	5	a positive present value obviously. In other
6	efficiencies that you've forecasted as being	6	words, it's to the good of rate payers and, in
7	the result of some of your IT-related	7	turn, the company to spend this \$83,000?
8	projects, and we can start, I suppose, with	8	A. Yes, that's correct.
9	PUB 22.2. And this related to your capital	9	Q. And you're clearly writing down the software
10	budget category of application enhancements, 1	10	investment over a two-year period, according
11	million 87 in total, and the question asked	11	to your capital cost allowance, Column B, 50
12	was "provide details of the cost analysis	12	
13	associated with improvements to the line	13	
14	inspection systems" and that project cost was	14	-
15	indicated to be \$83,000 in your budget	15	
16	application. And if we could just go to the	16	
17	Attachment A, please. Okay. So, and you	17	
18	attempted to provide, I take it, a calculation	18	
19	on the net present value that supports the	19	Q. And if I'm reading it correctly, you're
20	decision to make this purchase of technology	20	
20	related to your line inspections, correct?	20	the investment of this \$83,000 technology
22	A. Yes, that's correct.	21	
22	Q. And if I'm reading this correctly, that the	22	
23	initial investment in this particular	23	
24	technology of \$83,000 in 2005, over a five-	24	
25		25	Q. Okay. Now there were a number of Kristnat
			D 164
	Page 163		Page 164
1	were issued to Newfoundland Power in which it	1	able to do an analysis of this. So I think
2	were issued to Newfoundland Power in which it requested for you to first identify the	2	able to do an analysis of this. So I think that's certainly something that could be taken
2 3	were issued to Newfoundland Power in which it requested for you to first identify the projects in which the primary justification	2 3	able to do an analysis of this. So I think that's certainly something that could be taken into account. There's a copy for the witness.
2 3 4	were issued to Newfoundland Power in which it requested for you to first identify the projects in which the primary justification was operating expenditures, and then where the	2 3 4	able to do an analysis of this. So I think that's certainly something that could be taken into account. There's a copy for the witness. I don't imagine he has one right there in
2 3 4 5	were issued to Newfoundland Power in which it requested for you to first identify the projects in which the primary justification was operating expenditures, and then where the primary justification for the project related	2 3 4 5	able to do an analysis of this. So I think that's certainly something that could be taken into account. There's a copy for the witness. I don't imagine he has one right there in front of him. And one for the panel members.
2 3 4 5 6	were issued to Newfoundland Power in which it requested for you to first identify the projects in which the primary justification was operating expenditures, and then where the primary justification for the project related to operationsorry, operating efficiencies,	2 3 4 5 6	able to do an analysis of this. So I think that's certainly something that could be taken into account. There's a copy for the witness. I don't imagine he has one right there in front of him. And one for the panel members. And if it's in order, we can call that
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			c 111 1 over 2000 Cupital Dudget Application
	Page 165		Page 166
	KENNEDY:	1	Q. But I guess, be that as it may, whatever sort
2	application enhancements, in those projects	2	of range we're dealing with in, you can see
3	that Newfoundland Power has indicated that the	3	ultimately what I'm trying to drive at here is
4	primary justification for the investment is to	4	that if you're indicating in your net present
5	achieve operational efficiencies, it totals	5	values that you are going to make these
6	\$206,301 in labour costs projected to be	6	operational efficiencies showing up in labour
7	saved, according to your net present value	7	savings, it should end up resulting, I would
8	calculation, in 2006 for that project	8	suggest, in a reduction in your FTEs by virtue
9	category. And you can see then, when I do the	9	of you being able to knock that labour
10	same thing for application environmentI see	10	component out of your system. And I wonder if
11	my spelling hasn't improvedand CSS	11	you could first comment on that, whether
12	replacement, that the total annual labour	12	that's a fair sort of assessment or analysis
13	savings for 2006, as identified by	13	of what's taking place here?
14	Newfoundland Power in support of these	14	A. I think the assessment is fair, but there's a
15	particular IT projects, it comes to 344,267.	15	couple of things going on, Mr. Kennedy, that I
16 A	A. Yes, that's correct.	16	would like to explain to the Board.
17 Q	Okay, now, I took ain order to try to do	17	Q. Sure.
18	some rudimentary analysis here of taking	18	A. Yes, when we look at the net present value
19	approximate average salary per employee of	19	analysis, especially when we have operating
20	\$45,000, I understand that's probably on the	20	efficiencies coming out of technology
21	low side, that was because I excluded the	21	projects, we'll sit down and certainly my
22	lawyers out of the equation.	22	staff with sit down with the department
	ALTEEN:	23	affected and we'll, you know, they are the
	o. Cheap shot, Mr. Chairman.	24	ones that are coming up withthat department
	KENNEDY:	25	is the ones coming up with the labour savings,
	Page 167		Page 168
1	so, you know, we'lland I'll be involved in	1	it's really bits and pieces of people, so it's
2			
-	looking at, making sure that, you know.	2	
3	looking at, making sure that, you know, there's some reasonableness to what they're	2	not, you know, it's not as cut and dry as that
3	there's some reasonableness to what they're	3	not, you know, it's not as cut and dry as that customer systems replacement project I just
4	there's some reasonableness to what they're putting forward, in terms of what they hope to	3 4	not, you know, it's not as cut and dry as that customer systems replacement project I just talked about. And I'll use an example of that
4 5	there's some reasonableness to what they're putting forward, in terms of what they hope to save. In some cases with these projects and,	3 4 5	not, you know, it's not as cut and dry as that customer systems replacement project I just talked about. And I'll use an example of that one as well. It's in my own shop, in the IS
4 5 6	there's some reasonableness to what they're putting forward, in terms of what they hope to save. In some cases with these projects and, you know, our main one in particular and	3 4 5 6	not, you know, it's not as cut and dry as that customer systems replacement project I just talked about. And I'll use an example of that one as well. It's in my own shop, in the IS department we have a help desk with two people
4 5 6 7	there's some reasonableness to what they're putting forward, in terms of what they hope to save. In some cases with these projects and, you know, our main one in particular and that's the CSSsorry, the Customer Systems	3 4 5 6 7	not, you know, it's not as cut and dry as that customer systems replacement project I just talked about. And I'll use an example of that one as well. It's in my own shop, in the IS department we have a help desk with two people on it, and a help desk takes calls from all
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1 1	MR. COLLINS:	1	Q. But ultimately that should have a reduction in
2	of the application environment project, B63,	2	the overall labour component of the company,
3	what I'm doing there is I'm taking the calls	3	correct, in order to support your net present
4	and I'm going to get those calls handled a	4	value calculation?
5	different way through the purchase of some	5	A. Yes, absolutely.
6	software. And what that will mean is that	6	Q. Okay. And Mr. Collins, I just wanted to get
7	that frees up my help desk staff to be able to	7	you to just make a quick comment on, sort of
8	respond to other calls, so maybe get those	8	in keeping with, I think, some of what you are
9	calls that are constantly going to voice mail,	9	saying is 42.2, RFI. And this related to your
10	that sort of thing. It allows them to be more	10	application enhancement's budget and there
11	responsive, creates some capacity. So that's	11	were four net present values given for four
12	generally the nature of both types of savings	12	different subprojects, contract management,
13	that are going on there, Mr. Kennedy.	13	fixed assets, bank rec and changes to the
14	Q. So if I'm gathering correctly then, it's both	14	intranet and I notice that in the first three
15	a case of potentially lowering existing labour	15	of those, contract management, fixed assets
16	costs or avoidance of incurring new labour	16	and bank rec, your net present value
17	costs?	17	calculation is showing, I guess what I would
18	A. Yes, absolutely.	18	suggest to be a fairly nominal figure, if I'm
19	Q. Okay. And in the first example, the lowering	19	reading that correctly, in the case of, for
20	of existing labour costs that that may either	20	instance, your contract managementoh, I'm
21	show up in a reduction of your current FTE	21	sorry, if we could go to Attachment A, here we
22	account or it may display some other cost for	22	go, in this case, for instance, your contract
23	one department which allows you to shift	23	management you're showing a total positive net
24	employees to another?	24	present value over a five-year span of
25	A. Yes.	25	\$239.00.
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1	A. Yes, that's correct.	1	easily go the other way?
2	Q. And then if we go to the next one, next page,	2	A. Sure. I guess, Mr. Kennedy, when we were
3	oh I see, it's attachment B, beg your pardon,	3	responding to the RFI associated with that
4	\$188.00.	4	attachment, 42.2, the question was asked what
5	A. Yes, that's correct.	5	are the primary justifications and with those
6	Q. And then the next one, bank reconciliation,	6	three projects in particular, the fixed
7	Attachment C, \$261.00.	7	assets, the contract management and the bank
8	A. Yes.	8	reconciliation, we had a difficult time
9	Q. And then finally changes to the intranet,	9	answering that because the primarythere was
10	which is your Attachment D, so a little more	10	several ways to justify that project. There
11	substantial?	11	was qualitative and quantitative ways, if I
12	A. Yes, \$9,400.00.	12	could put it that way. So, you know, we did
13	Q. \$9,434.00. Would you agree with me that in so	13	it was primarily, obviously operating
14	far as the net present value numbers for these	14	efficiencies and that's why we've responded as
15	first three projects are nominal in nature	15	we did. But what else we have going on here
16	that they are, for the net present value	16	is that we expect these solutions or these
17	basis, on the line about whether they're	17	software solutions to last longer than five
18	actually going to generate a net present value	18	years, so the net present value analysis goes
19	for you at the end of five years. I mean, if	19	up to five years, but we, you know, we really
1.	your discount rate is a little off, if you	20	believe, you know, that they will last longer
20		1	then five years. The other thing that we have
20 21	don't obtain the labour savings that you hope	21	than five years. The other thing that we have
	don't obtain the labour savings that you hope to achieve, and that's pretty much it as far	21 22	going on is that because of the oversight
21			
21 22	to achieve, and that's pretty much it as far	22	going on is that because of the oversight

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1 1	MR. COLLINS:	1	laptop computers currently being used by those
2	from this, we want to be very conservative in	2	individuals who would receive the replacement
3	our estimates. So that's a very conservative	3	computers to be purchased in 2005? And the
4	net present value analysis, I guess, Mr.	4	answer was the table below provides a summary
5	Kennedy.	5	of the specifications to the PCs that have to
6	Q. Okay, but if you were more aggressive in your	6	be replaced in 2005. And then it goes, the
7	net present value calculation, you would have	7	actual individuals who will receive the
8	been forecasting greater labour savings,	8	replacement computers to be purchased in 2005
9	principally?	9	are unlikely to be the same individuals
10	A. Yes, principally, yes.	10	currently using these units.
11	Q. And so then that would have effected that	11	A. Right.
12	data, for instance that you see on Information	12	Q. Now the units that you list in your table
13	No. 2, the sheet that I just handed out, which	13	there, they're the ones, if you will, to put
14	shows what your total labour savings would be	14	it in the vernacular, are headed out the door
15	for the company and what that should reflect	15	when the new ones come in, correct?
16	in a reduction in FTEs or at the end of the	16	A. That's correct.
17	day, a reduction in the company's overall	17	Q. Okay. The question though asked, what are the
18	labour costs, correct?	18	specifications of the PCs that are currently
19	A. Yes, yes.	19	being used by the individuals who are going to
20	Q. Okay, I just wanted to switch to your personal	20	receive the new computers. And would you know
21	computer infrastructure project, Mr. Collins.	21	that offhand?
22	And specifically PUB-46.4 and I think	22	A. No, the way we do that for budgeting purposes,
23	something got lost in the translation between	23	Mr. Chairman and Commissioners, is we sit down
24	the question and the answer. The question was	24	at around an age and timeframe we're putting
25	what are the specifications of the PCs and	25	together our budget for the following year,
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1	and we look at our 600 or so PCs, we look at	1	and make sure that, you know, the person
2	their age, their performance and that sort of	2	that's getting that new computer at that time,
3	thing, and you know, what don't do is we don't	3	is a person that really needs it. Because
4	go around and look atand interview every	4	what could happen in that period of time
5	individual employee and go through every	5	between, I guess May and June timeframe of
6	department, you know, in the May/June	6	2004 and when the PC actually goes on the desk
7	timeframe and say, okay, that person there	7	the following March or April timeframe, is
8	will get a new one, you know, eleven months	8	that person could go from a high capacity
9	from now when the new one comes in the door,	9	user, someone that really needs a powerful
10	because it's very impractical to do that. So	10	machine, to somebody that doesn't need a
11	what we do is we'll use some judgment based	11	powerful machine or vice versa. So we want to
12	on, you know, talking with the managers	12	make their analysis as close to the purchase
13	responsible for those departments. We'll look	13	time as possible.
14	at some of our help desk calls to see what PCs	14	Q. But ultimately what drives your decision about
15	have been troublesome. We'll look at things	15	purchasing new computers? Is it the
16	like, you know, how much warranty is left on	16	requirement of your power users to stay on top
17	the machines, you know, look at how much more	17	and have the greater functionality out of a
18	useful life can we get out of these? And then	18	computer or is it lowest tier computers not
19	what we'll do is when the machines come in the	19	cutting the grade and need to be retired?
120	door, and typically, you know, we're saying	20	A. It's more the latter, the lower tier
20	113, but we won't buy 113 right away in the	21	computers.
21			O () tory And so insofer as your desision matring
21 22	new year, so we'll buy a little bit less than	22	Q. Okay. And so insofar as your decision-making
21 22 23	that because we don't want to over buy. So	23	process, it's the specs, if you will, of these
21 22			

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1 N	AR. KENNEDY:	1	needing to, if it needs to upgrade its
2	how many computers to buy in a given year?	2	computers, just buying new towers instead of
3	A. Not completely and the reason I say that is	3	buying the entirepresumably you already have
4	because the chart on the screen shows that	4	a monitor, you already have a mouse and
5	we're going to be retiring 88 Dell OptiPlex GX	5	keyboard that you could just replace the
6	110 desktop PCs. But we have 139 of those in	6	tower, couldn't you?
7	the company, so we're not retiring all of	7	A. I guess technically you can, you can just
8	those because there are still some of those	8	replace the tower, but you know, we feel it's
9	have useful life remaining, because there's	9	not the least cost way of managing our 600
10	some of our employees still getting value out	10	personal computers. If what you have there is
11	of those. So we don't make the decision and	11	a computer monitor that's essentially been on,
12	say the cut off point is a certain class or a	12	in many cases, 24 hours a day, 7 days a week,
13	certain speed of PC. It does come down to	13	for 365 days a year. Unfortunately a lot of
14	some analysis.	14	people, you know, don't turn off their PCs.
15	Q. So, Mr. Collins, when you buy a new computer,	15	They just let them, you know, I guess go into
16	when the company buys a new computer, do you	16	standby mode or what have you, but we feel
17	typically buy an entire computer, in other	17	that, you know, we're managing the life cycle
18	words, the tower, the monitor, the mouse, the	18	of the whole unit and replacing the whole
19	keyboard, everything is bought, or do you just	19	unit. And what we find from our suppliers as
20	buy new towers?	20	well when we go out to tender for these things
21	A. No, we buy the unit, the whole unit, being the	21	is that they package it such that they make it
22	monitor, the keyboard, the mouse and the CPU,	22	inviting for you, from a cost perspective, to
23	the tower.	23	buy the whole kit together, so to speak, so
24	Q. Okay, so I guess question No. 1 then is has	24	the mouse, the keyboard and that sort of
25	the company explored, just in the case of	25	thing.
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1	Q. Have you ever conducted an analysis of that	1	because also the employee doesn't have a PC
2	issue just to see or support the decision to	2	for that period of time that you've got the
3	replace the whole unit as opposed to just the	3	cover open. And, you know, my experience with
4	tower, for instance?	4	computers in general, I guess, because I've
5	A. Other than, you know, our technical people	5	been around them for close to twenty years, is
6	would get together and talk about our options,	6	that you don't want to be cracking the covers
7	Mr. Kennedy, but other than that, there	7	open on these things. You could void
8	wouldn't be any report or anything like that	8	warranties, number one, and you don't want to
9	that we would have done.	9	be getting in there and jarring something
10	Q. And similar to that, what about, like for	10	loose, you know. The best thing that could
11	instance in the case of the Dell OptiPlexers,	11	happen to a PC is that when it goes on a desk,
12	would an upgrade of the ram that's there for	12	you know, it stays in that position, that's
13	the computer address the obsolescence issue	13	just the nature of that equipment.
14	with that computer and allow you to defer	14	Q. I was kind of curious, though, Mr. Collins,
15	buying an entirely new computer for a year or	15	most computers that you buy have additional
16	two years?	16	memory slots built right into them, don't
17	A. When you look at what it would cost to	17	they, with the plan for yourwith the ability
18	actually go out and crack the covers open, I	18	then for you to be able to upgrade the ram, to
19	guess, so to speak of the 88 machines that are	19	void obsolescence?
20	out there, that would be a significant	20	A. I don't -
21	operating cost to go out and take a PC off	21	Q. You don't break any warranties by opening up a
22	someone's desk for, you know, the couple of	22	tower and installing additional ram.
23	hours that it would take to put more memory	23	A. Well, if our employees open up the tower, if
24	and that sort of thing, that's one side of it.	24	we're not certified to do that, we would void
25	It would cost a lot of money to do that	25	our warranty and our service agreement, I

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Page 181 Page 182 MR_COLLINS: 1 A. Well, those 100 computers that we would buy in are there memory slots available? I can't 3 identified need that extra processing are there memory slots available? I can't 3 identified need that extra processing smack that assumption boccause when ve spec 6 capability that would come with a new 5 these machines for purchase, we want to make 5 computer, vould's that we're going toget as long a file 6 Q. Okay, so you don't have a shuffling down 6 start activity that would come with a new company of everyong gets bumped off the 9 that we're sure that five years from now, or 10 me-down from the person above them? 10 longer, it will have a sufficiant memory and 14 A. No, I don't think that would be cost effective 12 of the cost difference between a cascade 15 the same employee year after year, that sont 14 the cost difference between a cascade 15 the same employee year after year, that sont 15 of the cost difference coses is, 1 understand 20 of thing. You want to trace year stability 16 of thing. You' c	Seh	Diember 20, 2004 Mult	I-F (age NF Power 2005 Capital Budget Application
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Multi-PageTM NF Power 2005 Capital Budget Application

September 20, 2004	Multi-Page ^M NF Power 2005 Capital Budget Application
	e 185 Page 186 1 CERTIFICATE 2 I, Judy Moss Lauzon, hereby certify that the foregoing is 3 a true and correct transcript of a hearing into 4 Newfoundland Power's 2005 Capital Budget Application, 5 heard on the 20th day of September, A.D., 2004 at the