

1 Q. Re: p. B-9 Replace Halon 1301 Fire Protection Systems for Generation  
2 System (\$697,000)

3

4 2.1 What is the status of this project as of June 30, 2001 with regard to (1)  
5 the number of units replaced, and (2) budgeted versus actual costs for  
6 the total project to date?

7

8

9 A. 2.1 As of June 30, 2001 twelve (12) systems have been replaced.  
10 Fourteen systems will be replaced in 2001 and the remaining  
11 systems are included in the 2002 capital budget.

12

13 The final cost of the systems installed in 2000 was \$305,000 versus a  
14 budgeted amount of \$509,200. The projected cost of the systems  
15 being installed in 2001 is \$328,500 versus a budgeted estimate of  
16 \$570,000. The budget for the systems to be installed in 2002 is  
17 \$697,000 and similar savings are expected depending upon the room  
18 integrity test.

1 Q. RE: p. B-12 Replace Piping on Surge Tank 3 – Bay d'Espoir (\$325,000)

2

3 4.1 Has this project gone to public tender and been awarded?

4

5 4.2 Since it was known in 1999 that the piping on all three surge tanks  
6 was in need of replacement, would it have been possible to tender all  
7 three at the same time, while continuing to schedule one project per  
8 year?

9

10

11 A. 4.1 Yes, it was publicly tendered and has been awarded.

12

13 4.2 The piping replacement for all three surge tanks was publicly tendered  
14 in 2000, in one contract, with one tank system scheduled for  
15 replacement per year in 2000, 2001 and 2002.

1 Q. RE: p. B-15 Install Intake Stoplogs – Paradise River (\$158,000)

2

3 7.1 What is the purpose of stoplogs? How do they help maintain a safe  
4 environment for proper maintenance of the intake gate, gate guides  
5 and sill? Are stoplogs currently in use at this site? Are stoplogs  
6 currently in use at other sites?

7

8

9 A. 7.1 Stoplogs act as a temporary means to prevent water from entering  
10 the intake. The use of stoplogs provides and maintains a safe work  
11 environment by isolating an area that could be drained and hence  
12 work could be performed in the dry. There are no stoplogs available  
13 at this plant. Stoplogs are normally provided and are available at  
14 Hydro's other plants, however in general are not interchangeable due  
15 to size, etc.

1 Q. RE: p. B-19 Purchase and Install Continuous Emission Monitoring  
2 (\$801,000)

3

4 11.1 How has it been determined that the emissions of NO<sub>x</sub>, SO<sub>x</sub> and acid  
5 aerosols are below the statutory limit? How do these levels continue  
6 to be monitored?

7

8 11.2 How is the Continuous Emission Monitoring System that is being  
9 planned for 2002 related to the visible Emission Monitors on Units 1 to  
10 3 that appear in the 2000 capital expenditures report, carried forward  
11 from 1999?

12

13

14 A. 11.1 Every two years an emission testing company is engaged to measure  
15 the emissions from the three units at various power outputs, over a  
16 period of several days.

17

18 11.2 The existing visible Emission Monitors on Units 1 to 3 measure stack  
19 emissions that are visible while the continuous emission monitoring  
20 equipment will measure emissions that are not visible to the human  
21 eye, i.e. NO<sub>x</sub>, SO<sub>x</sub> and CO<sub>2</sub>.

1 Q. RE: p. B-20 Upgrade Oil Systems for Fire Protection on Unit No. 3 –  
2 Holyrood (\$225,000)

3

4 12.1 The recommendations by Hydro's insurers were made in 1993 and, as  
5 of April 30, 2001 the work had not yet begun on Units No. 1 and 2,  
6 included in the 2001 Capital Budget. Why is this work being carried  
7 out now?

8

9 12.2 What future projects are expected to be undertaken as a result of the  
10 "Property Risk Control Survey Report" prepared in 1993? When will  
11 these be undertaken and what are the anticipated capital expenditures  
12 related to these projects?

13

14

15 A. 12.1 The work related to Units No. 1 and 2 is scheduled during the summer  
16 and fall of 2001. Design work was initiated in May and construction  
17 will commence later this year (2001).

18

19 At Hydro all capital expenditures are prioritized based on the nature of  
20 the project. These insurer's recommendations were delayed due to  
21 other priority work and budget restraints.

22

23 12.2 Other recommendations contained in the report are mostly of a  
24 "housekeeping" nature, involving little cost. There was one  
25 recommendation requiring a capital expenditure, provision of fire  
26 protection for turbine and generator bearings, which was implemented  
27 in 2000.

1 Q. RE: p.B-32 Purchase and Install Remote Communications Equipment –  
2 Buchans & Stony Brook (\$51,000)

3

4 23.1 Since this equipment is intended to reduce travel time to each station,  
5 quantify the savings in operations and maintenance that will be  
6 realized with this installation.

7

8 A. 23.1 It is difficult to quantify the savings attributable to travel. This project  
9 is not being justified on reductions in operations and maintenance  
10 costs, but rather a reduction in the retrieval time for data facilitating  
11 fault analysis and more rapid service restoration.

1 Q. RE: p.B-34 Purchase and Install Digital Fault Recorder – Stony Brook  
2 (\$92,000)

3

4 25.1 During the period from 1995 – 2000, what are the reliability statistics  
5 of the company with regard to momentary and sustained outages in  
6 the Stony Brook area?

7

8 A. 25.1 During the period from 1995 – 2000, the momentary and sustained  
9 outages at the Stony Brook Terminal Station were as follows:

10

11 Momentary Outages . . . . .18

12 Sustained Outages . . . . . 19

13 37

14 It should be noted that these numbers do not include statistics for  
15 Newfoundland Power’s 138kV lines, 130 L and 133 L, or incidents of  
16 single pole reclosing. These, however, would be recorded with the  
17 proposed digital fault recorder.

1 Q. RE: Phasing in of Labrador Interconnected Rates for the New Rate Classes

2

3 61.1 Why has Hydro not proposed in this application a five-year plan that  
4 will complete the phasing-in of the Labrador Interconnected rates?

5 Has such a plan been designed? Provide details, including the  
6 anticipated effect on revenue requirement during the implementation  
7 period. What is the planned implementation date of this plan?

8 (WEW, p. 8, lines 21 - 23)

9

10 A. 61.1 Consolidating 24 different rates into one uniform set can be

11 accomplished in many ways. Hydro has therefore submitted a set of  
12 uniform final rates that reflect its approach for discussion purposes.

13 Based on these discussions and the Board's recommendations on  
14 their appropriateness, Hydro will prepare and submit to the Board, a  
15 five year plan to implement the appropriate set of uniform rates.

16

17 Hydro has, as a first step in the process, proposed rates for the  
18 Labrador Interconnected System that reduces the number of rates  
19 significantly and applies similar rate structures for similar customers.

20 Moreover, Hydro has been able to develop a single set of rates for the  
21 customers in Labrador City and Wabush. The proposed rates are

22 consistent with the set of final rate structures that have been

23 submitted for discussion.



1 Q. RE: Consumption on Isolated Systems of over 700 kWh/month

2

3 62.1 What is the long-term plan with regard to rates for customers on the  
4 Isolated Rural Systems for consumption over 700 kWh/month? (WEW,  
5 p. 9, lines 7 - 9)

6

7

8 A. 62.1 At this time, Hydro does not have a specific long term plan, but at  
9 Hydro's next general rate application it will be submitting a five year  
10 plan which will propose an increase in the cost recovery for  
11 consumption over 700 kWh per month for customers on the Isolated  
12 Rural Systems.

- 1 Q. 63.1 Why does Hydro propose to delay the elimination of preferential rates  
2 for fish plants, churches, community halls, government departments  
3 and agencies? What would be the effect on revenue requirement in  
4 2002 if these rates were totally eliminated at December 31, 2001?  
5 Has a five-year plan been designed by the company? Provide details.  
6 (WEW, p. 9, lines 11 - 13)  
7
- 8 A. 63.1 Please see response to NP-150 and NP-152.

1 Q 66.1 What would be the effect on revenue requirement for 2002 of applying  
2 the overall cost of capital to Construction Work In Progress? How  
3 does this differ from the effect on revenue requirement of using the  
4 embedded cost of debt? What regulatory precedents in North  
5 America support utilization of the weighted cost of capital as the return  
6 to be applied to CWIP? (KCM, p. 11, lines 1 - 9)  
7

8 A. 66.1 The return applied to CWIP would not affect revenue requirement in  
9 2002.

10  
11 If the embedded cost of debt of 8.0% had been applied rather than the  
12 7.4% weighted average cost of capital, net interest expense would  
13 have decreased by \$686,000, and margin would have increased by  
14 the same amount in 2002. The return on ratebase and total revenue  
15 requirement for 2002 would remain the same. However, in the case of  
16 CWIP, the value of the asset that is ultimately added to the ratebase  
17 would increase by \$686,000. Please refer to the response to NP-83.

18  
19 The following regulatory jurisdictions in Canada utilize an overall cost  
20 of capital:

21  
22 National Energy Board

23 Alberta

24 British Columbia (West Kootenay Power)

25 Prince Edward Island

26 Nova Scotia

27 Northwest Territories

28 Yukon

29

1           Although there is no rate base/rate of return regulation in  
2           Saskatchewan, SaskPower accrues Allowance for Funds used During  
3           Construction (AFUDC), not capitalized interest.

4  
5           In the U.S., the Federal Energy Regulatory Commission uses an  
6           overall cost of capital. With respect to state regulation, although Ms.  
7           McShane has not done a state-by-state review, it has been standard  
8           utility practice to apply an AFUDC rate to CWIP, which recognizes that  
9           CWIP is financed with all sources of capital. A number of states  
10          actually include all or part of CWIP in rate base, which then by  
11          extension, earns an overall rate of return.

12  
13          In principle, if CWIP is deemed to be financed with debt only, but the  
14          rate base is deemed to be financed with the whole capital structure,  
15          the debt deemed to be financing CWIP is being double-counted.

1 Q. Future Financial Ratios of the Utility

2

3 67.1 What information will be provided by the Utility that will make it  
4 possible for the Board to provide the type of reassurance with regard  
5 to the future financial ratios of the company? (DGH, p. 10, lines 15 –  
6 19.)

7

8

9 A. 67.1 In the short term, the rating agencies and the capital markets would  
10 take comfort in an acceptance by the Board that a 3% return on equity  
11 is inadequate in the longer term, and the Board's acknowledgement of  
12 the principle that a fair and reasonable rate of return to shareholders  
13 should form part of the cost of service. We believe that the information  
14 provided to the Board to date would be sufficient to draw these  
15 conclusions, and hence we do not contemplate the provision of  
16 additional information.

1 Q. 72.1 **Loss of Load Hours Study**

2 Provide a copy of the Loss of Load Hours Study. (JAB, p. 8, line 19)

3

4

5 A. 72.1 Please refer to NP-135.