

Fax Transmittal
Newfoundland Power Inc.

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TO: Newfoundland and Labrador Hydro

FAX NO. (709) 737-1782

Attn: Maureen Greene, Q.C.
Vice-President Human Resources,
General Counsel & Corporate Secretary

DATE: May 23, 2003

PAGES SENT INCLUDING COVER: 4 PLEASE CALL IF ANY OMISSIONS AND ASK FOR: Michelle: (709) 737-5819

Re: Hydro's 2004 Capital Budget Application

Please see attached Newfoundland Power's Requests for Information regarding the 2004 Hydro Capital Budget Application.

Gerard Hayes



May 23, 2003

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

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Re: 2004 Hydro Capital Budget Application

Please find enclosed thirteen copies of Newfoundland Power's Requests for Information regarding the 2004 Hydro Capital Budget Application.

For convenience, the Requests for Information are provided on three-hole punched paper.

A copy of this letter, together with enclosures, has been forwarded directly to the parties listed below.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours very truly,

Peter Alteen
Corporate Counsel
& Secretary

Enclosures

c. Maureen P. Greene, Q.C.
Newfoundland & Labrador Hydro

Janet M. Henley Andrews, Q.C.
Stewart McKelvey Stirling Scales

Joseph S. Hutchings, Q.C.
Poole Althouse

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IN THE MATTER OF the *Public Utilities Act*, (the "Act"); and

IN THE MATTER OF An Application by Newfoundland & Labrador Hydro for approval of: (1) its 2004 capital budget pursuant to s.41 (1) of the Act; (2) its 2004 capital purchases, and construction projects in excess of \$50,000 pursuant to s.41 (3) (a) of the Act; and (3) its estimated contributions in aid of construction for 2004 pursuant to s.41 (5) of the Act

**Requests for Information by
Newfoundland Power Inc.**

May 23, 2003

**Requests for Information
2004 Hydro Capital Budget Application**

- NP-1 Please provide a copy of Hydro's latest Telecommunications Plan.
- NP-2 Please provide a detailed explanation of the benefits of a trunked mobile radio system as opposed to a conventional radio system, providing specific examples of expected efficiencies and an estimate of the cost impact of those efficiencies.
- NP-3 In Section 2.2 at page 2 of the *Business Case for VHF Mobile Radio System Replacement* (Application, Section G, Appendix 4), it is noted that the transmitters and receivers of Hydro's current VHF radio system can be replaced with compatible equipment.

Did Hydro evaluate the alternative of replacing the switch in 2004 and staging the replacement of transmitters, receivers and repeaters over time? If Hydro performed such an evaluation, please provide the results. If Hydro did not evaluate such an alternative, why did it not do so?

- NP-4 The Executive Summary contained in Section 1.0 at page 1 of the *Business Case for VHF Mobile Radio System Replacement* (Application, Section G, Appendix 4) indicates that the provincial Department of Works, Services and Transportation (the "Department") will share in the costs of the proposed VHF Mobile Radio System on a "prorated number of users basis". In Section 7.3 at page 12, it is stated that "the radios are divided roughly evenly between the Corporation and WS&T; it is therefore reasonable to assume that WS&T will contribute approximately half the capital and operating cost of the system."

Please provide greater detail of how the Department will participate in the cost of the proposed system, including specific details with respect to:

- (a) the Department's contribution to the costs (capital and operating) of the system over the system's projected useful life;
- (b) how additional coverage requirements of the Department outside of Hydro's requirements will be addressed and how the costs of providing such additional coverage will be recovered;
- (c) any adjustment mechanisms that will enable Hydro to recover any unforeseen additions to the capital costs of the system or increases in the operating costs of the system; and
- (d) any basis under which the Department may terminate its obligations to contribute to the capital and/or operating costs of the system.

NP-5 The project explanation at page B-71 of the Application indicates capital expenditures of \$3.048 million in 2004 and \$5.8 million in 2005. The financial analysis contained in Appendix A.4 of the *Business Case for VHF Mobile Radio System Replacement* (Application, Section G, Appendix 4) indicates capital expenditures of \$3.0 million in 2004 and \$2.7 million in 2005.

Please explain the apparent discrepancy in the 2005 capital expenditures found at page B-71 of the Application (\$5.8 million) and that used in the financial analysis used in Appendix A.4 of the *Business Case* (\$2.7 million).

NP-6 Hydro uses a Study Discount Rate of 9.60% in its economic evaluations of alternatives for the VHF Mobile Radio Replacement. By comparison, the evaluation of options to refurbish stack steel liner #2 at Holyrood used a 9% discount rate and the evaluation of the Holyrood distributed control system appeared to use an 8.5% discount rate.

Please justify the appropriateness of the 9.60% Study Discount Rate for the VHF Mobile Radio Replacement.

NP-7 When were the cost estimates employed in the financial analyses contained in Appendix A of the *Business Case for VHF Mobile Radio System Replacement* (Application, Section G, Appendix 4) most recently confirmed with prospective suppliers?

DATED at St. John's, Newfoundland, this 23rd day of May 2003.

NEWFOUNDLAND POWER INC.



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