

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

IN THE MATTER OF an application, as amended, by Newfoundland Power Inc. for an order pursuant to Sections 41, 78 and 80 of the Act:

- (a) (i) approving its 2000 capital budget; (ii) approving leases for 2000 in excess of \$5,000 per year; and (iii) approving revisions to its 1999 capital budget; and
- (b) (i) fixing and determining its average rate base for 1998 in the amount of \$488,204,000; (ii) approving its revised forecast average rate base for 1999 in the amount of \$503,298,000; and (iii) approving its forecast average rate base for 2000 in the amount of \$512,693,000; and
- (c) approving revised values for rate base and invested capital for use in the automatic adjustment formula for the calculation of return on rate base for 2000 pursuant to Orders No. P.U. 16 and 36 (1998-99).

TO: The Board of Commissioners of Public Utilities (the "Board")

THE APPLICATION OF Newfoundland Power Inc. ("Newfoundland Power")
SAYS THAT:

1. Newfoundland Power, a corporation duly organized and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the Act, and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. The purpose of this Application is to revise Schedules B (pages 20 and 57 of 78), D (page 1 of 4), F, G, H and I to the Application dated the 29th day of October, 1999, (the "Original Application") and to make consequential amendments to the Order requested in the Original Application arising from such revisions.
3. Schedules A, B (pages 1 to 19, 21 to 56 and 58 to 78 of 78), C, D (pages 2 to 4 of 4), and E to the Original Application have not been amended and remain as set forth in the Original Application.
4. The following revisions to Schedules, or parts of Schedules, are part of this Application.
 - (a) Schedule B, pages 20 and 57 of 78 (1st Revision) to this Application have been revised to update costs or provide greater clarity;

- (b) Schedule D, page 1 of 4 (1st Revision) to this Application has been revised to provide greater clarity;
 - (c) Schedule F (1st Revision) to this Application shows the variances between 1999 capital expenditures approved by Order P.U. 36 (1998-99) and Order P.U. 6 (1999-2000) and the projected actual capital expenditures of Newfoundland Power for 1999;
 - (d) Schedule G (1st Revision) to this Application shows Newfoundland Power's actual average rate base for 1998 of \$488,204,000; revised forecast average rate base for 1999 of \$503,298,000; and forecast average rate base for 2000 of \$512,693,000;
 - (e) Schedule H (1st Revision) to this Application shows Newfoundland Power's revised forecast average invested capital for 1999 of \$547,750,000 and forecast average invested capital for 2000 of \$568,517,000; and
 - (f) Schedule I (1st Revision) to this Application shows the calculation of the rate of return on rate base for Newfoundland Power using test year values approved by the Board by virtue of Order No. P.U. 36 (1998-99), the rate of return on rate base using the forecast average rate base and forecast average invested capital for 2000 as set out in paragraphs 4 (d) and 4 (e) of this Application, and an allowed return on common equity of 9.59% as a result of the observed yields on Government of Canada 8% (due 2027) and 5.75% (due 2029) bonds for the last week of October and the first week of November 1999.
5. Communication with respect to this Application should be forwarded to the attention of Ian F. Kelly, Q. C. and Peter Alteen, Counsel to Newfoundland Power.
 6. Newfoundland Power requests that the Board make an Order:
 - (a) pursuant to Section 41 of the Act:
 - (i) approving Newfoundland Power's purchase and construction in 2000 of the improvements and additions to its property as set out in this Application;
 - (ii) approving Newfoundland Power's lease in 2000 of the improvements and additions to its property as set out in this Application; and
 - (iii) approving revisions to Newfoundland Power's 1999 capital budget as set out in this Application.
 - (b) pursuant to Section 78 of the Act:
 - (i) fixing and determining Newfoundland Power's average rate base for 1998 in the amount of \$488,204,000;

- (ii) approving Newfoundland Power's revised forecast average rate base for 1999 in the amount of \$503,298,000; and
 - (iii) approving Newfoundland Power's forecast average rate base for 2000 in the amount of \$512,693,000.
- (c) pursuant to Section 80 of the Act approving revised values for rate base and invested capital for use in the automatic adjustment formula for the calculation of Newfoundland Power's return on rate base for 2000 pursuant to Orders No. P.U. 16 and 36 (1998-99).

DATED at St. John's, Newfoundland, this 15th day of November, 1999.

NEWFOUNDLAND POWER INC.



Ian F. Kelly, Q.C. and Peter Alteen
Counsel to Newfoundland Power Inc.
P.O. Box 8910
55 Kenmount Road
St. John's, Newfoundland
A1B 3P6

Telephone: (709) 737-5859
Telecopier: (709) 737-2974

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

IN THE MATTER OF an application, as amended, by Newfoundland Power Inc. for an order pursuant to Sections 41, 78 and 80 of the Act:

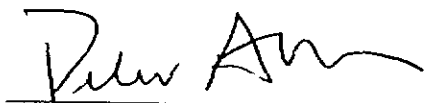
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AFFIDAVIT

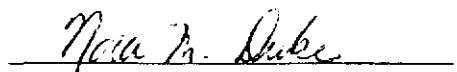
I, Nora M. Duke, of St. John's in the Province of Newfoundland, make oath and say as follows:

- 1. That I am Vice-President, Customer and Corporate Services of Newfoundland Power Inc.
- 2. To the best of my knowledge, information and belief, all matters, facts and things set out in this Application are true.

SWORN to before me at St. John's
in the Province of Newfoundland
this 15th day of November, 1999,
before me:



Peter Alteen
Barrister



Nora M. Duke

TRUNK FEEDERS DISTRIBUTION RELIABILITY INITIATIVE (Cont'd)

The following table indicates the estimated cost, the number of customers affected, and the average interruption statistics (as well as the Company average for the 1996 - 1999 period) for each of the seven distribution feeders included in the project. The SAIFI and SAIDI statistics in the table exclude planned interruptions and interruptions due to loss of supply.

Feeder	Estimated Cost (000s)	Number of Customers	SAIFI* interruptions/year	SAIDI** hours / year
Blaketown (BLK-02)	\$1,122	1,563	9.97	8.17
Old Perlican (OPL-02)	100	876	3.10	11.54
Bay L'Argent (BLA-01)	125	1,246	4.68	15.20
Laurentian (LAU-02)	80	816	6.86	29.48
Robinsons (ROB-01)	480	1,159	2.72	10.41
Doyles (DOY-01)	277	1,084	2.98	6.06
Abraham's Cove (ABC-02)	50	912	3.44	7.08
Company Average			1.55	2.71

The Company will ensure this project is completed at the lowest possible cost consistent with reliable service. All material and contract labour will be obtained through competitive tendering.

Future Commitments

None.

Notes:

* System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

** System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

SYSTEM CONTROL CENTRE REPLACE SCADA SYSTEM (Cont'd)

Project Justification

The current SCADA system was designed in the 1970s and was installed at Newfoundland Power's System Control Centre in the early 1980s. The existing SCADA system has undergone two major system upgrades in its 15 year life. Maintenance of the existing computer hardware has become increasingly difficult with individual components becoming obsolete. The RTUs associated with this system are no longer manufactured.

The existing SCADA system is limited in functionality. It is not possible to add any further control points to the system as it has reached its capacity. The current system restricts Newfoundland Power from monitoring and controlling individual distribution lines.

It is Newfoundland Power's intent to make further advances in distribution automation so as to increase the efficient use of personnel and other resources, and to enhance system reliability. This system will enable the Company to remotely monitor and control its entire electrical system, both transmission and distribution lines, from a centralized control centre.

The new system will permit the range of control to be extended from the substation to the actual feeder. With the expenditures planned for 2000, the SCADA operator will be able to operate switches located on the individual feeders, thereby reducing personnel resources required at remote sites.

The Company will ensure this project is completed at the lowest possible cost consistent with reliable service. All material and contract labour will be obtained through competitive tendering.

Future Commitments:

None.

Total Project Cost (000s):

	1999	2000	Total
Scada System	\$1,851	\$2,319	\$4,170
Building	905	-	905
Total	\$2,756	\$2,319	\$5,075

REPLACE ADDITIONAL PENSTOCK - PETTY HARBOUR

Project Cost

\$625,000

Nature of Project

In October 1998 the woodstave penstock at Petty Harbour experienced a major leak. A 220 meter section of the penstock was replaced with steel penstock at a cost of \$384,000. In January 1999 it was found that an additional 200 meters of woodstave penstock located along side the roadway had developed more severe leakage and had to be replaced. In Order No. P.U. 6 (1999-2000) the Board approved the replacement of this 200 meter section of penstock at a forecast cost of \$700,000. It since became apparent that the remaining section of penstock leading to the power plant was leaking significantly and it became necessary to replace an additional 300 meters at a forecast cost of \$625,000.

Customer Impact

This project will impact public safety.

Project Justification

Petty Harbour Penstock Repair Summary of Capital Expenditures 1998 and 1999		
Year	Meters	(000s)
1998	220	\$ 384
1999	200	700
1999	300	625
		<u>\$1,709</u>

This project is necessary as the condition of the penstock poses an unacceptable safety risk to the general public and our maintenance staff. The safety concerns necessitate this project being completed before the 1999-2000 winter season. The rebuilding of a total of 720 metres of penstock replaces a project that would have seen the relocation and replacement of the penstock which was

Newfoundland Power Inc.
2000 Capital Budget
1999 Capital Budget Variances
(000s)

	Approved by Order Nos. P.U. 36 (1998-99) & P.U. 6 (1999-2000)	Additional 1999 Capital Requirement (per Schedule D)	Revised 1999 Capital Budget	Forecast	Variance
Energy Supply	\$ 7,085	\$ 625	\$ 7,710	\$ 7,456	\$ (254)
Substations	2,989	-	2,989	3,373	384
Transmission	2,114	-	2,114	2,175	61
Distribution	16,143	-	16,143	16,902	759
General Property	2,706	170	2,876	2,321	(555)
Transportation	1,946	-	1,946	1,829	(117)
Telecommunications	453	-	453	331	(122)
Information Systems	3,834	340	4,174	3,931	(243)
General Expenses Capital	<u>2,626</u>	<u>-</u>	<u>2,626</u>	<u>2,626</u>	<u>-</u>
Total	\$ 39,896	\$ 1,135	\$ 41,031	\$ 40,944	\$ (87)
1998 Carry-overs				1,062 *	
				<u>\$ 42,006</u>	

* 1998 Carryovers from Order Nos. P.U. 15 (1997-98), P.U. 17 (1997-98) and P.U. 17 (1998-99)
Carryovers include \$546,000 - Rose Blanche Hydro Plant; \$370,000 - Bay Bulls Big Pond Dam;
\$66,000 - Replace Bus and Switch (Grand Falls Substation); \$80,000 - Projects less than \$50,000.

Newfoundland Power Inc.
2000 Capital Budget
Rate Base
(000s)

	<u>Historical Data</u>		<u>Forecast</u>	<u>Forecast</u>
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Plant Investment	<u>\$838,348</u>	<u>\$867,270</u>	<u>\$893,232</u>	<u>\$926,257</u>
<u>Deduct:</u>				
Accumulated Depreciation	349,934	362,933	380,428	404,074
Contributions in Aid of Construction	20,760	20,048	19,526	19,472
Deferred Income Taxes	79	-	-	-
Weather Normalization Reserve	<u>(3,706)</u>	<u>(5,022)</u>	<u>(7,079)</u>	<u>(7,079)</u>
	<u>367,067</u>	<u>377,959</u>	<u>392,875</u>	<u>416,467</u>
	471,281	489,311	500,357	509,790
Add - Contributions Country Homes	<u>223</u>	<u>333</u>	<u>333</u>	<u>333</u>
Balance - Current Year	471,504	489,644	500,690	510,123
Balance - Previous Year	<u>467,141</u>	<u>471,504</u>	<u>489,644</u>	<u>500,690</u>
Average	469,323	480,574	495,167	504,920 ²
Cash Working Capital Allowance	4,545	4,413	4,454	4,505
Materials and Supplies	<u>3,551</u>	<u>3,217</u>	<u>3,677</u>	<u>3,268</u>
Average Rate Base at Year End	<u>\$477,419</u>	<u>\$488,204</u>	<u>\$503,298 ¹</u>	<u>\$512,693</u>

1. Revised from forecast of \$494,723,000 found at page 79 of Order No. P.U. 36 (1998-99).

2. Reduced by \$486,722 as ordered by Order No. P.U. 36 (1998-99).

Newfoundland Power Inc.
2000 Capital Budget
Invested Capital

	Forecast 1999		Forecast 2000	
	(000s)	%	(000s)	%
Common Equity	\$ 240,985	44.00%	\$ 250,820	44.08%
Debt	296,875	54.20%	308,294	54.18%
Preferred Equity	9,890	1.80%	9,890	1.74%
Total	<u>\$ 547,750</u> ¹	<u>100.00%</u>	<u>\$ 568,517</u> ²	<u>100.00%</u>

1. Revised from forecast of \$541,288,000 found at Exhibit KWS-10 (1st Revision), Page 1 of 1 filed on November 12, 1998.

2. This total has been reduced by \$486,722 to conform to reduction from rate base as ordered by Order No. P.U. 36 (1998-99).

Newfoundland Power Inc.
2000 Capital Budget
Calculation of Rate of Return on Rate Base

Return on Rate Base Formula Approved by Order No. P.U. 36 (1998-99):

$$\begin{array}{l} \text{Rate of} \\ \text{Return} \\ \text{on Rate} \\ \text{Base} \end{array} = \frac{\begin{array}{c} \text{Invested} \\ \text{Capital} \\ \text{Rate} \\ \text{Base} \end{array}}{\begin{array}{c} \text{Rate} \\ \text{Base} \end{array}} \times \begin{array}{c} \text{Weighted} \\ \text{Average} \\ \text{Cost of} \\ \text{Capital} \end{array} + \frac{Z}{\text{Rate Base}}$$

Where Z represents amounts which are recognized in the calculation of either weighted average cost of capital or rate of return on rate base, but not both. These amounts include:

- (a) Amortization of Capital Stock Issue Expenses (Recognized in the rate of return on rate base calculation but not the weighted average cost of capital calculation.);
- (b) Interest on Customer Deposits (Recognized in the weighted average cost of capital calculation but not the rate of return on rate base calculation.); and,
- (c) Interest Charged to Construction (Recognized in the rate of return on rate base calculation but not the weighted average cost of capital calculation.).

Test Year 1999 (approved by Order No. P.U. 36 (1998-99)):

$$9.98\% = \frac{\begin{array}{c} \$ 541,288 \\ \$ 494,723 \end{array}}{\begin{array}{c} \$ 494,723 \end{array}} \times \begin{array}{c} 9.16\% \end{array} + \frac{\begin{array}{c} \$ 78 + \$ 30 - \$ 328 \end{array}}{\begin{array}{c} \$494,723 \end{array}}$$

Forecast 2000 rate base and invested capital values and an allowed return on equity of 9.59%

$$10.28\% = \frac{\begin{array}{c} \$ 568,517 \\ \$ 512,693 \end{array}}{\begin{array}{c} \$ 512,693 \end{array}} \times \begin{array}{c} 9.31\% \end{array} + \frac{\begin{array}{c} \$ 78 + \$ 30 - \$ 328 \end{array}}{\begin{array}{c} \$512,693 \end{array}}$$