

General

Q. Ref: PUB-114 NP. What would NP consider to be a significant enough “change in [the] scope of the project” to warrant seeking new, specific approval from the Board before proceeding.

A. In the context of the response to PUB-114 NP, the “scope of the project” refers to the size or the nature of the project. In the case of the project to modify the Wesleyville Substation to accommodate the relocated gas turbine, the project cost was much higher than forecast due to higher than anticipated costs in a number of the individual project components. However, the costs of the individual project components increased as a result of unforeseen developments, and not because the project grew in size or changed in nature. While the number of project components that were affected by such contingencies was unusual in this instance, the individual contingencies were not extraordinary.

If a capital project changes sufficiently in scope such that its original purpose is altered, or the initial justification for the project is no longer applicable, a supplementary capital budget approval would be warranted.

For example, had the Company decided that it would use the opportunity presented by the substantial redevelopment of the substation to do additional work to accommodate another feeder, this would have constituted a change in scope that would have warranted an application to the Board for a supplementary approval. In that instance, the fundamental nature of the project would have changed from that originally proposed.

This Application contains a request for the approval of an additional capital expenditure as a result of a change in the scope of a previously approved project. The project, which is described at pp. 1 – 2 of Energy Supply, Appendix 1 in Volume II of the Application, involves the replacement of the governor controls and protection at the Topsail Hydroelectric Plant. As part of the Company’s 2003 capital budget, the Board had originally approved an expenditure of \$230,000 to replace the electronic control portion of the governor system. However, during the detailed design phase of the project, it became apparent that it was necessary to expand the scope of the planned work by incorporating additional programmable logic controller hardware into the governor system. The 2003 approved expenditure has been carried over, and the Company is seeking the Board’s approval of an additional capital expenditure of \$200,000 in this Application.

Another recent example of a change in the scope of a project that warranted an application to the Board for a separate capital budget approval occurred in 2001. The Board had approved, as part of the Company’s 2001 capital budget, a project to replace the surge tank at the Cape Broyle Hydroelectric Plant. When the Company subsequently determined that the installation of a steel penstock at the Plant would eliminate entirely the need for a surge tank, an application was submitted to the Board for approval to

1 cancel the surge tank replacement project, and to advance the installation of a new
2 penstock, originally planned for 2003, to 2001. In that case, the nature of the project had
3 been completely altered, and the Company was of the view that a supplementary approval
4 was warranted.