

1 **Q. SUBSTATIONS**

2
3 **PUB 40.0**

4 **B-12 Replacement and Standby Substation Equipment**

5 **What, if any, efforts has, is or will NP make to normalize the annual expenditure for**
6 **this annually occurring budget item?**

7
8 A. The Company examined the prospect of budgeting expenditures in this category based on
9 average expenditures. However, this approach did not provide expenditure projections
10 that matched actual expectations.

11
12 As noted in the response to PUB 39.0 NP, annual expenditure requirements associated
13 with this budget item, especially the emergency replacement component, have increased
14 significantly in recent years. In this context, average historic costs are not a reliable
15 indicator of future expenditure requirements.

16
17 Newfoundland Power continually assesses its capital budget process in an effort to
18 identify opportunities to make the budgeting process more transparent. The use of
19 historic average costs to estimate future requirements contributes to this goal; and the
20 Company endeavours to employ this approach where it is practical to do so.

21
22 When expenditure requirements for this budget item become more consistent, some form
23 of normalizing, such as historic averaging, may be appropriate. Until this happens, the
24 budget for this item will continue to be based on an assessment of historic expenditures
25 and engineering judgments based on assessments of the factors influencing future
26 expenditure requirements.