Q. SUBSTATIONS

REPLACEMENT AND STANDBY SUBSTATION EQUIPMENT (POOLED), p. 12 of 81, $1,918,000

PUB 6.0
How does the expenditure of $363,000 explained in section 3.0, Emergency Replacements, of 2.2 2006 Replacement and Standby Substation Equipment differ from the budgeted items explained in the sections previous to 3.0, which deal with the replenishment of pools of equipment for use in emergency and routine situations?

A. Newfoundland Power maintains a pool of standby substation equipment that can be installed in a timely manner in response to emergency and routine situations. The standby pool consists of equipment types referenced in Section 2.0 *Corporate Standby Equipment* (i.e., circuit breakers, reclosers, voltage regulators, etc).

The $660,000 expenditure referenced under Section 2.0 *Corporate Standby Equipment* is the cost to replenish the pool of standby equipment. It includes the cost to purchase new equipment, to refurbish equipment removed from service and to ensure that such equipment is ready for service. The budgeted amount is based on historic failure rates of specific equipment and engineering judgement. It does not include the cost of installing the equipment.

The $363,000 expenditure referenced under Section 3.0 *Emergency Replacements* is the cost of installing equipment from the standby pool in emergency situations. Emergency situations may be caused by events such vandalism, storm damage, lightning strikes, electrical or mechanical failure, or corrosion damage.

The $363,000 expenditure also includes the emergency cost to replace equipment and infrastructure not in the standby pool, such as stolen ground grid conductor and failed lightning arrestors. The $363,000 expenditure is based on engineering judgement and recent historical information.