Q. GENERAL PROPERTY

PUB 64.0

Why is there benefit in deferring the installation of backup generation at sites other than Duffy Place, Carbonear and Clarenville?

A. As a practical matter, not all justifiable capital projects that have been identified by Newfoundland Power can be completed in a single year. The Company's schedule for installing backup generation at its operations buildings throughout the island reflects this reality. The schedule outlined in the response to PUB 63.0 NP is a phased approach that considers the relative urgency of the requirements for each building in the context of other demands on the Company's resources and the desirability of a measure of consistency in the level of capital spending year over year. The schedule is also influenced by the opportunities that exist for the redeployment of existing generators to other buildings.

As noted in ***5.1 Standby Generation at Newfoundland Power Facilities***, the greatest priority for adequate backup generation is the Duffy Place building, which houses a number of critical electrical loads (including the Company's call centre) and is the home base for line operations in the Northeast Avalon. The proposed redeployment of the existing Duffy Place generator to Clarenville is a cost-effective re-use of equipment based on the fact that the capacity of the unit closely matches the electrical load of the Clarenville building.

For 2007, the Company's current plan is to install backup generation at its Gander and Burin buildings. These locations are considered to be relatively high priority locations given the geographic isolation of Burin and the challenging weather conditions of the northeast coast served by the Gander operation.

The installation of standby generation in Grand Falls and Corner Brook has been deferred until the status of the Company's two buildings at each location has been confirmed. The Company is currently considering the economic and operational feasibility of consolidating its activities in each location in a single building. It is therefore prudent to defer consideration of standby generation requirements for those locations until the Company's plans in that regard have been finalized. If operations are consolidated in these two locations, it will necessitate significant modifications to the remaining buildings. The installation of standby generation would proceed at the same time. This could occur in 2007 or 2008.

The Carbonear facility has backup generation that is capable of supporting approximately 50% of the building's electrical load. Although this level of backup is insufficient for the longer term, it lowers the relative priority of that location. Current plans envision the upgrade of backup generation capacity in 2009, at which time the existing backup generator at Carbonear would be redeployed to Stephenville.