

- 1 **Q. Assuming the Retail Transfer Option, please provide:**
- 2 **a. A projection of total capital expenditures and a breakdown by major**
- 3 **category (excluding one-time transition costs) required to produce the long-**
- 4 **term “steady state” upon which Newfoundland Power has based its**
- 5 **projections of its expected FTE requirements associated this scenario**
- 6 **b. An estimate of the period(s) over which Newfoundland Power can reasonably**
- 7 **complete the work encompassed by those expenditures.**
- 8
- 9 A. a. Newfoundland Power has completed a *pro forma* assessment of the incremental
- 10 capital expenditures required to produce the long-term “steady state” upon which
- 11 the Company based its FTE estimates for the Retail Transfer Option.¹
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- 13 The assessment of projected capital expenditures is based on the Company’s
- 14 current 5-Year Capital Plan, with adjustments to account for the additional
- 15 number of customers served and additional kilometres of distribution line, number
- 16 of substations, and number of vehicles that would be operated by Newfoundland
- 17 Power under the Retail Transfer Option.²
- 18
- 19 Table 1 shows Newfoundland Power’s current 5-Year Capital Plan for
- 20 distribution, substations and transportation.

Table 1:
5-Year Capital Plan – 2019 CBA
(\$000s)

	2019	2020	2021	2022	2023
Distribution	39,386	40,905	41,676	42,516	43,810
Substations	13,039	10,927	12,624	14,129	13,972
Transportation	3,990	3,931	3,999	3,719	3,793
Total	56,415	55,763	58,299	60,364	61,575

21 Newfoundland Power’s current 5-Year Capital Plan forecasts average capital

22 expenditures of approximately \$58.5 million annually for distribution, substations

23 and transportation.

¹ For more information on the *pro forma* estimates associated with the Retail Transfer Option, please see the response to Information Request PUB-NP-084, Attachment A.

² For more information on the Company’s current 5-Year Capital Plan, please see Newfoundland Power’s 2019 Capital Budget Application filed on July 13, 2018.

Table 2 provides *pro forma* estimates of the projected total capital expenditures for distribution, substations and transportation under the Retail Transfer Option.

Table 2:
5-Year Capital Plan – Retail Transfer Option
Pro Forma Estimates
(\$000s)

	2019	2020	2021	2022	2023
Distribution ³	44,882	46,583	47,350	48,327	49,783
Substations ⁴	15,446	12,945	14,954	16,737	16,551
Transportation ⁵	4,733	4,663	4,743	4,411	4,499
Total	65,061	64,191	67,047	69,475	70,833

Under the Retail Transfer Option, the assessment shows an average of approximately \$67.3 million in capital expenditures annually. This represents an increase of approximately \$8.8 million, or 15%, above the Company's current capital plan for these categories.

Newfoundland Power observes that incremental capital expenditures of \$8.8 million represent approximately 15% of Newfoundland and Labrador Hydro's ("Hydro") total capital expenditures for distribution, substations, and transportation over the same period.⁶

- b. The period of time required to achieve "steady state" utility operations under the Retail Transfer Option would depend on the terms of any transaction or contractual arrangements involved in consolidation.

³ Projected distribution-related expenditures reflect an estimated 23% increase in kilometres of distribution line and an estimated 9% increase in the number of customers served under the Retail Transfer Option.

⁴ Projected substation-related expenditures reflect an estimated 18% increase in the number of substations under the Retail Transfer Option.

⁵ Projected transportation-related expenditures reflect an estimated 10% increase in FTEs under the Retail Transfer Option.

⁶ Hydro's total capital expenditures for these categories also include expenditures for the Labrador Interconnected System and the Labrador and Island isolated systems, among other expenditures. Capital expenditures for these systems are not included in Newfoundland Power's assessment.