

- 1 **Q. Assuming the Island Retail and Radial Transmission Transfer Option, please**  
 2 **provide:**  
 3 **a. A projection of total capital expenditures and a breakdown by major category**  
 4 **(excluding one-time transition costs) required to produce the long-term**  
 5 **“steady state” upon which Newfoundland Power has based its projections of**  
 6 **its expected FTE requirements associated with this scenario.**  
 7 **b. An estimate of the period(s) over which Newfoundland Power can reasonably**  
 8 **complete the work encompassed by those expenditures.**  
 9
- 10 A. a. Newfoundland Power has completed a *pro forma* assessment of the incremental  
 11 capital expenditures required to produce the long-term “steady state” upon which  
 12 the Company based its FTE estimates for the Island Retail and Radial  
 13 Transmission Transfer Option.<sup>1</sup>  
 14
- 15 The assessment of projected capital expenditures is based on the Company’s  
 16 current 5-Year Capital Plan, with adjustments to account for the additional number  
 17 of customers served and additional kilometres of distribution and transmission line,  
 18 number of substations, and number of vehicles that would be operated by  
 19 Newfoundland Power under the Island Retail and Radial Transmission Transfer  
 20 Option.<sup>2</sup>  
 21
- 22 Table 1 shows Newfoundland Power’s current 5-Year Capital Plan for distribution,  
 23 transmission, substations and transportation.

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

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Distribution	39,386	40,905	41,676	42,516	43,810
Transmission <sup>3</sup>	2,100	2,000	2,200	2,200	2,200
Substations	13,039	10,927	12,624	14,129	13,972
Transportation	3,990	3,931	3,999	3,719	3,793
<b>Total</b>	<b>58,515</b>	<b>57,763</b>	<b>60,499</b>	<b>62,564</b>	<b>63,775</b>

<sup>1</sup> For more information on the *pro forma* estimates associated with the Island Retail and Radial Transmission Transfer Option, please see the response to Information Request PUB-NP-084, Attachment A.

<sup>2</sup> 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.

<sup>3</sup> For the purposes of this assessment, transmission expenditures exclude those related to transmission line rebuild projects. Information filed as part of Hydro’s *2019 Capital Budget Application* indicates that, Hydro has not identified any transmission lines for rebuilding in its 5-year Capital Plan. See Hydro’s *2019 Capital Budget Application, 2019-2023 Capital Plan, Page A9*.

1 Newfoundland Power's current 5-Year Capital Plan forecasts average capital  
2 expenditures of approximately \$60.6 million annually for distribution,  
3 transmission, substations and transportation.  
4

5 Table 2 provides *pro forma* estimates of the projected total capital expenditures for  
6 distribution, transmission, substations and transportation under the Island Retail  
7 and Radial Transmission Transfer Option.

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

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Distribution <sup>4</sup>	44,882	46,583	47,350	48,327	49,783
Transmission <sup>5</sup>	3,616	3,444	3,788	3,788	3,788
Substations <sup>6</sup>	16,148	13,533	15,634	17,498	17,304
Transportation <sup>7</sup>	4,805	4,734	4,816	4,479	4,568
<b>Total</b>	<b>69,451</b>	<b>68,294</b>	<b>71,588</b>	<b>74,092</b>	<b>75,443</b>

8 Under the Island Retail and Radial Transmission Transfer Option, the assessment  
9 shows an average of approximately \$71.8 million in capital expenditures  
10 annually. This represents an increase of approximately \$11.2 million, or 18%,  
11 above the Company's current capital plan for these categories.  
12

13 Newfoundland Power observes that incremental capital expenditures of \$11.2  
14 million represent approximately 18% of Newfoundland and Labrador Hydro's  
15 ("Hydro") total capital expenditures for distribution, transmission, substations,  
16 and transportation over the same period.<sup>8</sup>  
17

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

<sup>4</sup> 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 Island Retail and Radial Transmission Transfer Option.

<sup>5</sup> Projected transmission-related expenditures reflect an estimated 72% increase in kilometres of transmission line under the Island Retail and Radial Transmission Transfer Option.

<sup>6</sup> Projected substation-related expenditures reflect an estimated 24% increase in the number of substations under the Island Retail and Radial Transmission Transfer Option.

<sup>7</sup> Projected transportation-related expenditures reflect an estimated 12% increase in FTEs under the Island Retail and Radial Transmission Transfer Option.

<sup>8</sup> 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.