

IN THE MATTER OF the *Public Utilities Act* R..S.N 1990

IN THE MATTER OF an Application by Newfoundland and Labrador Hydro for an Order approving (1) its 2009 Capital Budget pursuant to s. 41(1) of the Act; (2) its 2009 Capital Purchases and Construction Projects in excess of \$50,000.00 pursuant to s. 41(3)(a) of the Act; (3) its Leases in excess of \$5,000.00 pursuant to s. 41(3)(b) of the Act; and (4) its estimated contributions in aid of construction for 2009 pursuant to s. 41(s)(5) of the Act and for an Order pursuant to s. 78 of the Act fixing and determining its average rate base for 2007

REQUESTS FOR INFORMATION OF THE INDUSTRIAL CUSTOMERS

Re 2009 Capital Budgets Overview, page vi:

IC1-NLH

Hydro asserts that: *“Conventional practice is that a thermal plant is base loaded throughout its career until it reaches maturity and then the plant is operated as a peaking or standby facility in its final years, thus operating at a very low capacity, often less than 10 percent.”*

What percentage of thermal plants in North America, 30 years or older,

- (i) are operating at less than a 10% capacity factor?
- (ii) are operating at less than a 40% capacity factor?
- (iii) have been retired?
- (iv) have been the subject of condition assessment and life extension studies?
- (v) have initiated life extension projects?

Re Appendix A, Five Year Capital Plan, page ii:

IC2-NLH According to the Five Year Capital Plan, administrative expenditures will spike to a budgeted \$2.5 million for 2009 (they were budgeted at \$1.6 million in 2008 in the 2008 Capital Budget Application). In the Five Year Capital Plan, in the following four years, budgeted administrative expenditures decrease precipitously, from \$0.9 million in 2010 to only \$0.49 million in 2013. Are the 2010 –2013 figures a reasonably reliable reflection of what will be applied for by Hydro as administrative capital expenditures, i.e. is it anticipated that there will be a drop off of administrative expenditure of this order of magnitude after 2009? If yes, what effort has Hydro made to identify which of these administrative expenditures can be postponed, so as “smooth” these expenditures over the full five year period with particular reference to the project Upgrade System Security—Various Sites which constitutes 25 % of the administrative expenditure in 2009 and 75% in 2010?

Re Refurbish Fuel Storage Facility (Holyrood), page B-2:

IC3-NLH 2009 Project cost is budgeted as \$2,866,700, with no project costs budgeted for 2010 or beyond. Table 6.2 of the engineering consultant’s report sets out a five-year implementation plan, at a total cost of \$8,374,775. Explain this discrepancy and identify in detail any components of the consultant’s implementation plan, as set out in Table 6.2, which Hydro has decided not to implement, or to delay implementing, and Hydro’s reasons therefor.

IC4-NLH Confirm that the Fuel Storage Facility will not be required if the Lower Churchill Project, with Island infeed, proceeds, and that a decision on whether the Project will be sanctioned is still expected by Hydro in 2009.

IC5-NLH From the Introduction and page 2-1 of the engineering consultant’s report, it appears that draining of the dyked areas can be achieved through what is described as significant operator time, including overtime. Explain how such drainage has been achieved, and detail the extra costs expended for such drainage, such as operator overtime, for the last 5 years.

IC6-NLH At page 2 of the Hydro report, "Holyrood Thermal Generating Station Refurbishment of the Fuel Oil Storage Facility", it is stated that *"Should the Lower Churchill Project proceed, the earliest that the facility will not be required is 2015."*

In the Introduction to the engineering consultant's report, it is stated that *"The objective of this assessment is to determine the extent of upgrades required for the tanks, pipelines and drainage, as well as the power and lighting system, to extend the useful life of the facility by at least 20 years."*

Was the engineering consultant asked if its recommendations were valid to extend useful life for less than 10 years, where it was probable that it would be known in 2009 whether decommissioning of the fuel oil storage facility would occur within that timeframe?

IC7-NLH At Table 6.2 of the engineering consultant's report, the "Pipe Supports" work is described to be of "medium' priority, in the context of the objective of life extension of at least 20 years. Can a decision on this work be deferred by at least 1 year, given, as stated by Hydro at page (i) of the 2009 Capital Projects Overview, the *"imminent approval of the Lower Churchill Project and high voltage direct current (HVDC) infeed to the Island"*?

IC8-NLH What volume of additional containment could be attained by (a) removing the intermediate berm and (b) increasing the depth of the ditches by 0.5 meters.

Re Wood Pole Line Management (WPLM) Program, page B-13:

IC9-NLH At page 10 of Hydro's 2009 Wood Pole Line Management report, Hydro identifies that Hydro crews replaced 97 poles, 31 crossarms, and 19 cross-braces and many other smaller components as identified in the spring of 2007. Provide a breakdown of the number of poles which were replaced, or in respect of which a component was replaced, by individual line inspected in the spring of 2007.

IC10-NLH Provide annual statistics for pole replacement and pole component replacement for the five years prior to implementation of the WPLM Program, and for the years since implementation of the Program.

IC11-NLH With reference to Hydro's response to IC27-NLH in the 2007 Capital Budget Application, and specifically subsection (f) of that response, and to the related IC32-NLH in the 2008 Capital Budget Application, update Hydro's response with respect to those recommendations that had not been followed or completed, namely R4, R6, R8 and R10.

IC12-NLH At page 4 of Hydro's 2009 Wood Pole Line Management report, Hydro asserts that if deterioration of the structures is not detected early enough, then the reliability of the structures will affect the reliability of the line and the system as a whole. Is there any statistical evidence of improvement of the reliability of the transmission system since implementation of the WPLM Program, when rates of transmission line failure for the five years period prior to implementation of the Program are compared to failures since implementation of the Program?

IC13-NLH To Hydro's knowledge, is any other North American utility implementing a program similar to the WPLM Program?

Re Cat Arm Hydro Generating Station Replacement of Accommodations, page B-19:

IC14-NLH Is the two-hour travel time (each way) referred to in the "Project Justification" from Deer Lake or from Pollard's Point accommodations?

IC15-NLH At page 8 of Hydro's report "Cat Arm Hydro Generating Station Replacement of Accommodations" it is stated that "*the quality of the accommodations at Pollard's Point has resulted in some employees refusing to stay there*". Are there any health or safety concerns arising from the quality of the Pollard's Point accommodations?

IC16-NLH In relation to the 698 average person days since 2006 at the Cat Arm Facility, how many days of worker accommodation were attributable to accommodations in Deer Lake?

- IC17-NLH** At page 13 of Hydro's report "Cat Arm Hydro Generating Station Replacement of Accommodations", it is stated that Deer Lake was used as the assumed accommodations for the net present value calculation (presumably as represented in Chart 1 and Table 5 of the same report.) Provide the equivalent of Chart 1 and Table 5, and of the assumptions stated at page 12 of the same report for salary costs due to travel, hotel accommodations and vehicle usage, using Pollard's Point as the assumed accommodations.
- IC18-NLH** Why is Hydro not implementing the recommendations of its experts' reports and simply removing the mould from the existing structure?
- IC19-NLH** Has Hydro investigated purchasing some or all of the facilities now used as motel accommodation in Pollard's Point to meet its needs for accommodation at Cat Arm or arranging upgrades to those facilities in consultation with the owner? If not, why not?
- IC20-NLH** Do the accommodations in the Cookhouse not provide sufficient space to isolate male from female employees on the site?

Re Replace Vehicles and Aerial Devices, page B-31:

- IC21-NLH** Table 1 at page of 5 of Hydro's report "Replace Vehicles and Aerial Devices" identifies that starting from 2004, Actual Purchase costs have run approximately 10% to 20% below Budgeted Purchase costs. Is Hydro aware of any reason why this trend will not continue for 2008 Budgeted Purchase costs?
- IC22-NLH** Why is Hydro proposing to replace units V1284, V1285, V1287 and V2174 when they are only marginally over the replacement criteria and have had minimal maintenance costs?

Re: Replace Unit 2 Air Pre-heater Cold End

- IC23-NLH** Does this project include everything recommended in the 2005 Alstom Report in connection with pre-heaters and, if not, why not?

IC24-NLH Were rotor shaft seal covers recommended in the Alstom Report?

Re: Replace Cooling Water System on Units 3 and 4

IC25-NLH When was the photo provided as Figure 1 taken and what unit did the pipe come from?

IC26-NLH Is it correct that the existing piping has lasted for 40 years but similar piping in Units 1 and 2 deteriorated to the point of requiring replacement within 5 years? If so, why?

Re: Replace Automatic Voltage Regulator on Gas Turbine

IC27-NLH Please indicate the current anticipated useful life of the Stephenville Gas Turbine.

Re: Build New Maintenance Shop

IC28-NLH Did Hydro make any effort to purchase the building it currently leases in order to meet the requirements of this project, if not, why not?

Re: Replace Explosives Storage Magazines

IC29-NLH Explain why Hydro's requirements for explosives cannot be met by utilizing a commercial operator rather than holding explosives in its own possession.

Re: End User Evergreen Program

IC30-NLH Indicate what, if any, amounts are projected to be spent in future capital budgets over the next 5 years in connection with the Evergreen Program.

Re: Replace Power Line Carrier on TL-250

IC31-NLH Explain why there is no known industry experience available with regards to the failure rate power line carrier.

Re: Replace Peripheral Infrastructure

- IC32-NLH** Identify the type and number of video conference units currently in service within Hydro's operations.
- IC33-NLH** For what purposes does Hydro utilize video conferencing?
- IC34-NLH** Explain why Hydro's needs for video-conferencing cannot be met utilizing webcams and generic software.

Re: Security Smart Card and Disk Encryption for Laptops

- IC35-NLH** Explain why Hydro's shareholder is not absorbing the cost of implementing the directive that it has given to Hydro in this connection.

Re: TL-212 Upgrade

- IC36-NLH** Does Hydro plan to replace the aluminum towers on this line with wooden structures and, if so, when?

Re: Overheads, AFUDC and Escalation and Contingency

- IC37-NLH** Explain in detail the calculation of and justification for budgeted amounts for Overhead/AFUDC and Escalation and for Contingency for each of the following projects:
- (1) Replace off-road track vehicles;
 - (2) Insulator replacement;
 - (3) Pole replacement;
 - (4) Replace light duty mobile equipment;
 - (5) Replace vehicles and aerial devices.

Re: Upgrade Power Transformers

IC38-NLH On what does Hydro rely for its assertion at p. 5 of Tab 13 that it is typically more cost effective and reliable to replace power transformers in a planned mode rather than a reactive mode?

IC39-NLH Confirm that Table 7 at p. 16 of Tab 13 shows significantly fewer failures on Hydro's system than the CEA average and a much lower percentage unavailability on Hydro's system than the CEA average.

IC40-NLH Why does Hydro propose major expenditures on terminals which are still performing better than the industry averages?

Re: Replace Light Duty Mobile Equipment

IC41-NLH On what basis can Hydro predict that failure to replace units will lead to increasing maintenance costs where no maintenance records are maintained?

Re: Upgrade Security System

IC42-NLH If existing fencing is compliant with current utility standards, why is Hydro proposing an upgrade?

Re: Hydro Place Energy Efficiency Improvements

IC43-NLH What was the cost of the Energy Audit and has it been included in the calculation of savings to be expected?

Re: Hind's Lake – Blue Grass Hill Fibre Optical Cable

IC44-NLH Has Hydro considered a buried fibre optical cable for this project? If not, why not?

Re: Hardwoods Gas Turbine Plant Life Extension Upgrade

IC45-NLH List all the gas turbines that Hydro currently operates.

IC46-NLH Why was 15 years chosen as the period to be studied by Stantec for operation of the turbines?

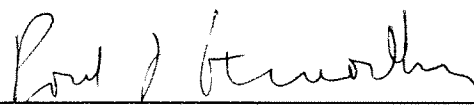
IC47-NLH To what use would the Hardwoods and Stephenville turbines be put in the event of a Labrador interconnection?

IC48-NLH Would Hardwoods be required either for synchronous condensing or power generation, in addition to the Holyrood Thermal Generating Station, in the event of a Labrador interconnection.

IC49-NLH What is the current price per liter paid by Hydro for number 2 fuel and what are the current projections to 2023?


DATED at St. John's, this 10th day of September, 2008.

POOLE ALTHOUSE

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