

Q. Substations - Replacements Due to In-Service Failures. In light of the significantly increased level of spending for 2009 to 2014 (see Capital Plan - Substations, p. A-3) compared to the years 2005 to 2008 (see Table 2 at page 17 of 96) why is the Company forecasting that expenditures for Replacements Due to In-Service Failures for 2010 to 2014 (see Table 1 at page 18 of 96) will remain significantly higher than 2005 to 2006 levels (see Table 2 at page 19 of (sic) 96)?

A. The increase in expenditure for the Replacements Due to In-Service Failures project is largely attributable to inflation and an increase in the number of more costly failures experienced. A detailed explanation of the forecast expenditure for the Replacements Due to In-Service Failures project is included in the response to Request for Information CA-NP-03.

Table 1 shows the total Substations 2010-2014 capital expenditure plan, based on the information provided in the 2010 Capital Plan, page A-3.

Table 1
Substations 2010-2014 Capital Plan
(\$000s)

2010	2011	2012	2013	2014
10,218	12,283	12,802	11,014	15,870

The Substation expenditures in the Capital Plan include projects to address planned Substation refurbishment and modernization, provide additional capacity to meet load growth, increase electrical system energy efficiency and to purchase an additional portable substation in 2014. These projects will have minimal impact upon the number of in-service failures experienced by Newfoundland Power in the immediate future. In the longer term, the Substations Refurbishment and Modernization project should decrease the number of in-service failures related to defective equipment than that which would otherwise occur. However, the number of in-service failures resulting from causes such as storm damage, lightning strikes and vandalism will not necessarily be mitigated by planned work associated with the Substations Refurbishment and Modernization project.

Table 2 reproduces from page 17 of Schedule B the actual capital expenditure for 2005 to 2008 and the forecast capital expenditure for 2009 associated with the Substations Refurbishment and Modernization project.

Table 2
Substations Refurbishment and Modernization
(\$000s)

2005	2006	2007	2008	2009F
2,072	2,107	2,364	2,508	4,393

In the *Substation Strategic Plan* filed with the Company's 2007 Capital Budget Application, it was indicated that expenditures under the Substation Refurbishment and Modernization project were expected to average approximately \$4 million per year. Expenditure is currently expected to reach this level in 2009. In 2008, expenditure was materially below this level due to increases in both unplanned substation work and in-service failures. Such developments highlight the practical requirement for flexibility in execution of the Substation Refurbishment and Modernization project over time.

Table 3 shows the forecast capital expenditures for the Replacement Due to In-Service Failures project for the 2010 to 2014 period, based on the 2010 Capital Plan page A-3. This information is also the basis for Table 1 on page 18 of 96 in Schedule B.

Table 3
Replacements Due to In-Service Failures
(\$000s)

2010	2011	2012	2013	2014
2,052	2,094	2,136	2,178	2,224

Table 4 reproduces from page 19 of 96 in Schedule B the actual capital expenditure for 2005 to 2008 and the forecast capital expenditure for 2009 associated with the Replacement Due to In-Service Failures project.

Table 4
Replacements Due to In-Service Failures
(\$000s)

2005	2006	2007	2008	2009F
1,194	1,273	2,134	2,357	2,243

The Company is forecasting that the expenditures associated with Replacements Due to In-Service Failures from 2010 to 2014 will remain higher than expenditures incurred in 2005 to 2006. This is largely attributable to inflation and an increase in the number of more costly failures experienced.

Actual expenditures for future years will only include the actual in-service failures that are experienced. Any impact on the number of in-service failures experienced, which may result from planned work undertaken in other Substations projects, such as the Substation Refurbishment and Modernization project, will be reflected in the Replacements Due to In-Service Failures actual expenditures.