

1 **Q. Re 2011 Substation Refurbishment and Modernization - p. 16-17 of 100, Tab 2.1**

2
3 **At p. 1 of Tab 2.1 it states, “In 2011, the budget estimate is materially below this**
4 **level [i.e. \$4 million] due to a requirement to address government regulations**
5 **concerning. . . (PCB). Such developments highlight the practical requirement for**
6 **flexibility in execution of the Substation Refurbishment and Modernization project**
7 **over time”.**

8
9 **Are there projects besides Substation Refurbishment and Modernization in this**
10 **CBA which are flexible as regards execution of the project over time.**

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12 **A.** From the Company’s perspective, all projects in Newfoundland Power’s 2011 Capital
13 Budget Application, including the Substation Refurbishment and Modernization project
14 as presented, are required to be completed in 2011 and cannot be prudently deferred.

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16 With regard to the Substation Refurbishment and Modernization project, the Company
17 adopted a modified approach to substations capital expenditure with the Substation
18 Strategic Plan presented in the 2007 Capital Budget Application.¹ The Substation
19 Strategic Plan addressed substation modernization and refurbishment work in 80% of the
20 Company’s substations in an orderly way over a 10 year planning horizon. This is
21 consistent with the maintenance of reasonable year to year stability in the Company’s
22 annual capital budgets. Since 2007, work performed as part of the Substations
23 Refurbishment and Modernization capital project has broadly reflected this approach.

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25 The Company’s replacement of PCB contaminated equipment has been included in the
26 Substations Refurbishment and Modernization capital project since 2007. The revised
27 PCB regulations have accelerated the work associated with the phase out of PCB from
28 bushings and instrument transformers in substations. Given the magnitude of the work
29 required to meet the revised regulations, the Company created the PCB Bushing Phase-
30 out project specifically dedicated to this effort. This is consistent with the efficient and
31 effective review of capital expenditures which is the basis of the Board’s *Capital Budget*
32 *Application Guidelines*.

33
34 Overall, in the 2010 Capital Plan a total of \$52,509,000 was forecast to be spent on
35 substations capital in the period 2011 through 2014. In the 2011 Capital Plan, forecast
36 spending on substations capital is expected to increase to \$57,343,000 over the same
37 period. This is an increase of approximately \$4.9 million or 9%. It reflects
38 Newfoundland Power’s best current estimate of *required* capital expenditure on
39 substations through 2014.

40
41 Changes in forecast capital expenditure are inevitable. Accordingly, a degree of
42 flexibility is necessarily required in ongoing planning of capital expenditure if a
43 reasonable degree of stability in the Company’s annual capital budgets is to be achieved.

¹ See report **2.1 Substation Strategic Plan**, Newfoundland Power 2007 Capital Budget Application.

1 The approach adopted by Newfoundland Power to the 2011 Capital Budget Application
2 is consistent with the fulfillment of foreseeable capital requirements in a least cost
3 manner.
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5 For further information on the relationship between the Company's 5-year Capital Plans
6 and annual capital budgets, please refer to the Response to Request for Information
7 CA-NP-27.