

1 **Q. Schedule B 2015 Capital Projects (p. 14 of 97)**

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3 **What is the annual adjustment factor Newfoundland Power uses for extraordinary**
4 **item expenses?**

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6 A. Newfoundland Power does not use an annual adjustment factor to adjust the budget
7 requirement for the Facility Rehabilitation Thermal project for extraordinary items.

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9 The adjustment of anticipated expenditure requirements for extraordinary items occurs
10 when an identified expenditure requirement is judged to be extraordinary relative to the
11 typical small projects identified through routine inspections, operating experience and
12 engineering studies.

13
14 The expenditure estimates for such extraordinary items are based upon engineering
15 estimates, and an adjustment is made to the expenditure estimate as derived from the
16 historical average expenditure. For example, the 2014 Capital Budget Application
17 included an extraordinary item related to the weather-tight enclosure for the mobile gas
18 turbine. The 2013 Capital Budget Application included an extraordinary item related to
19 the roof of the Port aux Basques diesel enclosure.

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21 The 2015 expenditure estimate of \$216,000 is based upon the historical expenditure
22 history shown in Table 2 on page 14 of 97, and does not include any adjustment for
23 extraordinary items.¹

¹ The 2014 forecast amount of \$412,000 includes a historical average based amount of \$211,000, an expenditure of \$101,000 related to an extraordinary item to refurbish the mobile gas turbine's weather tight enclosure and an estimated variance of \$100,000 as explained on page 1 of 3 of Appendix A to the 2014 Capital Expenditure Status Report. The \$101,000 amount to refurbish the mobile gas turbine's weather tight enclosure was excluded from the calculation of the 5-year historical average.