

**Q. 2015 Capital Plan, page A-1**

Over the past three-year period the following capital budget amounts were approved by the Board:

<b>2012 Capital Budget Application</b>	<b>77,293,000</b>	<b>Order No. P.U. 26(2011)</b>
<b>2013 Capital Budget Application</b>	<b>80,788,000</b>	<b>Order No. P.U. 31(2012)</b>
<b>2014 Capital Budget Application</b>	<b>84,462,000</b>	<b>Order No. P.U. 27(2013)</b>

The upcoming five years are forecast to be:

<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>
<b>\$94,211,000</b>	<b>\$106,755,000</b>	<b>\$97,751,000</b>	<b>\$93,252,000</b>	<b>\$94,684,000</b>

Other than the impact on revenue requirement, what other implications would there be for customers of the increase magnitude of the annual capital budgets?

**A. *Annual Capital Budget Magnitude***

Newfoundland Power is proposing continued stable capital investment over the next 5 years.

Table 1 provides the Company's annual capital expenditures for the period 2010 to 2014 and the average capital expenditure for the period, expressed in actual and 2014 dollars.

**Table 1**  
**Annual Capital Expenditures**  
**(\$000s)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014F</b>	<b>Average</b>
Actual	76,605	75,630	81,783	83,785	102,691	
2014 \$	84,122	80,340	85,230	85,536	102,691	87,584

Newfoundland Power's annual capital expenditures for the 5 years from 2010 to 2014 average approximately \$88 million in 2014 dollars.

Table 2 provides the forecast annual capital expenditure for the period 2015 to 2019 and the average capital expenditure for the period, expressed in actual and 2014 dollars.

**Table 2**  
**Annual Capital Expenditures**  
**(\$000s)**

	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>	<b>Average</b>
Actual	94,211	106,755	97,751	93,252	94,684	
2014 \$	92,509	103,112	93,025	87,464	87,511	92,724

Newfoundland Power's forecast annual capital expenditures for the next 5 years average approximately \$93 million in 2014 dollars.<sup>1</sup>

#### *Implications for Customers*

In addition to the impact on revenue requirement, as described in response to Request for Information PUB-NP-002, Newfoundland Power's capital plan will impact the quality of service provided to customers in terms of the level of breakdown maintenance activity required and the associated cost.

Newfoundland Power's ability to meet its obligation to provide safe and reliable electricity service to its customers at least cost is largely dependent upon the quality and condition of its plant and equipment. The Company's approach to management of existing assets attempts to balance the maximization of asset lives with the timely replacement of deteriorated plant and equipment. The longer facilities are in the field and exposed to electrical, mechanical and climatic stresses, the greater the likelihood of failure which often results in increased operating cost (associated with failure response), reduced reliability of service and risk to safe operations.

It is Newfoundland Power's view that continued stable capital investment will tend to keep breakdown maintenance activity at current or slightly reduced levels, thereby positively impacting the quality of service provided to customers while providing least cost, safe and reliable service.

<sup>1</sup> The 2015 to 2017 period includes extraordinary expenditures of approximately \$9 million to purchase portable generation, approximately \$6 million to replace the Company's SCADA system and approximately \$23 million to purchase and install 9 power transformers in response to load growth.