

Volume 3, Section 3 – 2006 Depreciation Study

Q. With respect to the above request for information, if a private contractor takes possession and ownership of poles that are retired for reasons other than degradation by natural forces i.e. decay and wear and tear, does NP buy back such poles for use in other areas? If yes, state how many poles have been re-purchased (or are forecasted to be repurchased) by NP over the period from 2002 to 2008 (F) and please compare the price at which the private contractor originally purchased the poles (upon their taking possession) versus the price paid by NP to repurchase the poles.

A. An increase in third party attachment activity by telecommunications companies has contributed significantly to the number of relatively new (less than 10 years old) poles that have been removed from service. Because some areas of the island were reclassified by the Canadian Standards Association (“CSA”) in 2002 as being subject to “severe ice loading conditions”, the application of CSA standard CAN/CSA C22.3 is necessitating the replacement of more poles to accommodate the attachment of additional telecommunications cables.

Table 1 shows the number of Newfoundland Power poles installed and removed annually over the period 2002 to 2006.

**Table 1
Pole Installations and Removals
2002 to 2006**

Year	Installations	Removals
2002	4,576	2,194
2003	4,867	1,159
2004	4,583	630
2005	4,796	1,002
2006	5,845	1,244

In accordance with Newfoundland Power’s standard pole-setting contractual arrangements, wooden poles become the property of the pole contractor upon removal.¹ Subject to certain restrictions, the contractor may re-use some of these poles.

¹ These contractual terms are set out in the response to CA-NP-309.

1 Table 2 provides the number of poles re-used over the period 2002 to 2006, together with
2 the total price paid to pole contractors for the re-used poles.

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Table 2
Re-Used Wooden Poles
2002 – 2006

Year	Main Line Pole	Street Light or Service Pole	Total	Re-Purchase Price (\$)
2002	212	623	835	149,575
2003	78	265	343	60,464
2004	88	200	288	62,726
2005	101	297	398	84,310
2006	87	299	386	87,047

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7 By transferring to contractors the responsibility for storage and handling of poles
8 removed from service, Newfoundland Power avoids the cost of storing salvageable poles
9 and disposing of unsalvageable poles.²

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11 Pole contractors do not pay Newfoundland Power for used poles that are removed from
12 service. When salvageable poles are re-used, Newfoundland Power is invoiced for those
13 poles at the current cost of new poles. This arrangement encourages the re-use of
14 salvageable wooden poles, which is consistent with Newfoundland Power’s commitment
15 to environmental responsibility.

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17 This also avoids the administrative inefficiency and cost that would be associated with a
18 process for tracking and pricing individual poles removed from service. The
19 arrangement is standard in all of Newfoundland Power’s pole supply and installation
20 contracts, which are awarded through a public tender process in a competitive market.

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22 All of this is consistent with the provision of least-cost electrical service.

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24 Newfoundland Power does not forecast the number of poles that will be re-used. Data is
25 therefore not available for 2007 or 2008. Newfoundland Power expects, however, that
26 the quantity of re-used poles will be consistent with the experience of the last three years.

² Approximately two-thirds of wooden poles removed from service are not in re-usable condition.