

1 **Q. (Reference CA-NP-001 and CA-NP-004)**

- 2 **a) Please show how Newfoundland Power failed to meet its mandate in 2003 and**
3 **2004 when the Board approved capital budget amounts of \$0.5 million and**
4 **\$1.7 million, respectively, less than the proposed amounts.**
- 5 **b) Please show how during the cod moratorium in the early 1990s Newfoundland**
6 **Power was unable to meet its mandate owing to spending cuts to its capital**
7 **budget (CA-NP-004 from NP 2021 CBA).**

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- 9 A. a) In Newfoundland Power's 2003 *Capital Budget Application* the Company sought
10 approval for a *Transmission System Engineering Study* (the "Study"). The Study
11 would analyze opportunities to significantly improve the reliability of service to
12 customers served by radial transmission lines in the Old Perlican/New Chelsea
13 and the Port aux Basques/Rose Blanche areas. The Study would determine the
14 opportunities to construct additional transmission lines to convert radial
15 transmission systems to looped systems, as well as determine where the addition
16 of backup generation facilities is a more appropriate solution.

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18 In Order No. P.U. 36 (2002-2003) the Board stated:

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20 *"While the Board notes that such a study may or may not be*
21 *warranted, the information provided appears to be conflicting and*
22 *insufficient to justify approval at this time. The Board will accept*
23 *a supplementary capital budget application from NP for this study*
24 *but such an application should include a complete description of*
25 *the reliability issues for each area to be studied, including the*
26 *expected impact of NLH's work on TL 214, and a more*
27 *comprehensive breakdown of the study components and the*
28 *outcomes expected at each stage, along with their associated*
29 *costs."*

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31 The Company chose not to file a supplementary capital budget application for the
32 study. With the purchase of a new 2.5 MW portable diesel generator and a
33 refurbished 7.5 MW mobile gas turbine, the Company chose to monitor the use of
34 the additional mobile generation units to see if they provided an appropriate
35 solution for customers served by radial transmission lines in the Old Perlican/New
36 Chelsea and the Port aux Basques/Rose Blanche areas.

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38 In its 2004 *Capital Budget Application*, Newfoundland Power applied for the
39 addition of a second 2.5 MW portable diesel generator at a cost of \$1,700,000.
40 For a discussion on that project, see response to Request for Information
41 CA-NP-117.

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- 43 b) In the early 1990s, Newfoundland Power reduced capital expenditures in response
44 to the worsening economy and outmigration being experienced in the province.
45 The reduced capital expenditures had a negative impact on system reliability. In

1 1998, the Board retained a consultant to review and report on the quality of
2 service provided by Newfoundland Power. The Board's consultant recommended
3 that the Company seek to improve its service reliability. This effectively
4 indicated that Newfoundland Power was not meeting its mandate of providing
5 reliable service at that time. The Company subsequently worked to improve the
6 service reliability experienced by its customers. For more information, see
7 response to Request for Information CA-NP-014.