

1 **Q. (Reference NP 2023 Capital Budget Application)**  
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3 In NP's 2023 Capital Budget Application, and all recent capital budget  
4 applications, a number of projects are proposed that are not specifically  
5 identified and costed. These projects provide NP with the flexibility to address  
6 "high-priority deficiencies that are identified during inspections or recognized  
7 during operational problems, including customer outages and trouble calls"  
8 (Schedule B, page 37). The costs for these projects are based on historical  
9 expenditures. Such projects include, for example: 1) Distribution  
10 Reconstruction (\$6.7 million), 2) Replacement Transformers (\$3.35 million),  
11 3) New Transformers (\$3.0 million), 4) Substation Replacements Due to In-  
12 Service Failures (\$4.4 million), etc.  
13

- 14 a) Did NP consider re-prioritization or re-design of approved projects in lieu of  
15 this supplemental capital budget application? For example, could the Long  
16 Pond Substation Capacity Expansion Project be modified? If not, why not?  
17 If so, please identify what was considered and why it was not pursued.  
18 b) Why did NP not address the MUN-T2 power transformer replacement  
19 project under one of the above project categories, for example, the  
20 Substation Replacements Due to In-service Failures Project, rather than file  
21 a supplemental capital budget application?  
22 c) If NP had addressed the proposed project under one of the above approved  
23 projects, how much time would have been saved relative to filing this  
24 Supplemental Capital Budget Application?  
25 d) How much time is NP saving by filing this Supplemental Capital Budget  
26 Application relative to filing the project as part of the 2024 Capital Budget  
27 Application?  
28 e) What are the comparative risks to the University load and equipment  
29 associated with the proposed project if it had been addressed under: 1) the  
30 2023 Capital Budget Application, 2) this Supplemental Capital Budget  
31 Application, and 3) the 2024 Capital Budget Application?  
32 f) What are the comparative costs of regulation associated with the proposed  
33 project if it had been addressed under: 1) the 2023 Capital Budget  
34 Application, 2) this supplemental Capital Budget Application, and 3) the  
35 2024 Capital Budget Application?  
36 g) If NP believes that this Supplemental Capital Budget Application is the only  
37 valid approach under the current capital budget application guidelines, how  
38 does it recommend the Guidelines be modified to improve regulatory  
39 efficiency going forward?  
40

- 41 A. a) There were no opportunities to reprioritize or redesign approved 2023 capital  
42 expenditures in lieu of this application. All capital projects approved by the Board as  
43 part of Newfoundland Power's 2023 Capital Budget Application are necessary to  
44 continue providing safe, adequate and reliable service to customers at the lowest  
45 possible cost.

1 The *Long Pond Substation Capacity Expansion* project cannot be modified. This  
2 project is occurring in 2023 to increase the capacity of Long Pond (“LPD”) Substation  
3 to allow for the university’s project to add new electric boilers in 2024.<sup>1</sup> Due to the  
4 limitations on the customer-owned distribution system, additional MUN Substation  
5 load cannot be transferred to LPD Substation regardless of the additional capacity  
6 available at LPD Substation.<sup>2</sup> Modifications to the *Long Pond Substation Capacity*  
7 *Expansion* project cannot be utilized to address the failure of MUN-T2.

8  
9 Additionally, the *Public Utilities Act* prohibits Newfoundland Power from undertaking  
10 additions or improvements to its property without prior approval of the Board.<sup>3</sup> In  
11 Newfoundland Power’s view, a substantial redesign of a previously approved project  
12 would require further review by the Board.<sup>4</sup>

- 13  
14 b) The *Reconstruction and Replacement Transformers* programs are required to  
15 address high priority deficiencies and deteriorated assets on the distribution system.  
16 The *New Transformers* program is required to connect new customers to the  
17 distribution system. The replacement of MUN-T2 at Memorial Substation is outside  
18 the nature and scope of these programs.

19  
20 Newfoundland Power considered whether the replacement of MUN-T2 could be  
21 completed under the *Substation Replacements Due to In-Service Failures* program.

22  
23 The *Substation Replacements Due to In-Service Failures* program is required to  
24 address substation equipment that has failed in service. Substation equipment that  
25 fails in service requires immediate attention as it is essential to the reliability of  
26 supply to customers. This can include the replacement of failed circuit breakers,  
27 reclosers, high-voltage switches and other equipment. The 2023 budget for the  
28 *Substation Replacements Due to In-Service Failures* program is approximately  
29 \$4.4 million.

30  
31 Historically, the *Substation Replacements Due to In-Service Failures* program has  
32 allowed for the timely repair of power transformers, the installation of spares in  
33 response to failures and the procurement and installation of smaller units. However,  
34 the procurement and installation of a new power transformer with the capacity of  
35 MUN-T2 would be challenging to accommodate under this program due to the  
36 magnitude of the associated costs. For example, the replacement of MUN-T2 would  
37 account for over one third of the total budget of the *Substation Replacements Due*  
38 *to In-Service Failures* program. Accommodating the replacement of MUN-T2 under  
39 that program may therefore either hinder Newfoundland Power’s ability to complete

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<sup>1</sup> For more information, see the *2023 Capital Budget Application, Schedule B, Long Pond Substation Capacity Expansion*.  
<sup>2</sup> See the response to Request for Information PUB-NP-001.  
<sup>3</sup> See section 41(3) of the *Public Utilities Act*.  
<sup>4</sup> For example, the Board’s *Capital Budget Application Guidelines (Provisional)* (the “Provisional Guidelines”) require a further review of multi-year projects where there has been a material change in the nature, scope or rationale of a project, or where the revised forecast expenditure exceeds the approved amount of 10% or more.

1 other necessary work in substations, or expose the program to the risk of a  
2 significant variance from the budgeted amount.

3  
4 In evaluating whether it would be appropriate to replace MUN-T2 under the  
5 *Substation Replacements Due to In-Service Failures* program, Newfoundland Power  
6 also considered the redundancy available at LPD Substation. This redundancy allows  
7 service to be maintained at Memorial University while regulatory approval is sought  
8 to replace MUN-T2.  
9

10 Based on these considerations, the Company determined it was appropriate to file an  
11 application for the approval of supplemental capital expenditures to replace MUN-T2.  
12

- 13 c) Replacing MUN-T2 under one of the programs listed in part b) of this response is not  
14 a viable option. Newfoundland Power cannot estimate how much time would have  
15 been saved under the hypothetical scenario requested as it would depend on the  
16 length and outcome of the current proceeding.  
17
- 18 d) If approved, filing an application for supplemental capital expenditures to replace  
19 MUN-T2 will allow the replacement unit to be installed in 2024. Deferring the  
20 project to the Company's *2024 Capital Budget Application* would defer the  
21 installation to 2025 due to extended delivery times for power transformers.  
22
- 23 e) A project to replace MUN-T2 could not have been included in Newfoundland Power's  
24 *2023 Capital Budget Application* as its deteriorated condition was not known at the  
25 time of filing that application. Additionally, as explained in part b) of this response,  
26 it would not be appropriate to accommodate the replacement of MUN-T2 under one  
27 of the Company's previously approved capital programs.  
28

29 As discussed in part d) of this response, deferring the replacement of MUN-T2 until  
30 Newfoundland Power's next capital budget application would mean the university  
31 would face a heightened risk of prolonged outages for an additional year.  
32

- 33 f) Newfoundland Power cannot estimate the comparative costs of regulation associated  
34 with the alternatives listed in this question. The costs would depend on the nature  
35 of each regulatory proceeding.  
36
- 37 g) The Provisional Guidelines establish that applications for supplemental capital  
38 expenditures may be submitted for the approval of expenditures that are  
39 unanticipated and cannot be deferred. In Newfoundland Power's view, a mechanism  
40 to permit the approval of such expenditures is a necessary feature of the regulatory  
41 process. The Company does not consider it necessary to modify the Provisional  
42 Guidelines relating to supplemental capital applications in order to improve  
43 regulatory efficiency.