

1 **Q. LEASES**

2
3 **1.5 MW PORTABLE DIESEL GENERATOR, p. 3 of 3, \$12,000/Year**

4
5 **PUB 34.0**

6 **Please provide a history of the month-to-month lease of the portable unit that is**
7 **located in Trepassey, including the reason for the lease and the analysis that was**
8 **used to determine that this was the least cost alternative.**
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11 A. Portable generation is used by Newfoundland Power to maintain service to customers
12 during construction and upgrading activities during the summer months, and during
13 emergency conditions at all times of the year.
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15 Newfoundland Power currently owns 2 portable generation units; a 7.2 MW portable gas
16 turbine and a 2.5 MW portable diesel generator. Both units are located at Grand Bay
17 Substation in Port aux Basques, except when they are required elsewhere for
18 emergencies or to support construction activities.
19

20 In 1999, Newfoundland Power became aware that a 1990-vintage 1.5 MW portable
21 diesel generator was available for lease on a temporary basis from a private
22 Newfoundland-based contractor. The Company entered into an arrangement with the
23 owner to lease the unit on a month-to-month basis at a rental of \$833.33 per month plus
24 HST, paid semi-annually, and has continued to lease the unit on this basis since that
25 time.
26

27 The 1.5 MW portable diesel provides Newfoundland Power with a back up generation
28 unit upon very favourable terms. The proposed lease rate of \$12,000 per year for 2006
29 and 2007 equates to \$8.00/kW per year for the 1.5 MW unit. The longer term
30 arrangement that is now proposed provides a measure of certainty to Newfoundland
31 Power with respect to availability of the unit.
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33 The proposed lease is the least cost alternative to fulfill a requirement for portable
34 generation of this size. The price to purchase a comparable new unit is approximately
35 \$750,000 and the price of a comparable used generator would be approximately
36 \$300,000. At a financing rate of 5%, the annual interest charge alone associated with the
37 purchase of a similar generator would exceed the annual cost of the current arrangement.
38

39 Newfoundland Power will ensure that the unit continues to be located where it will
40 maximize overall system reliability. During the winter, it will be located in an area that
41 is subject to severe winter weather conditions and is served by a radial transmission
42 system. The unit will be relocated as required to respond to outages caused by major
43 winter storms. Further, the unit will normally be connected to the electrical system, and
44 can be called upon as needed to support system capacity requirements.

1 In the summer months, the unit will be relocated as necessary to support construction or
2 repair activities. Distribution feeder and radial transmission construction work is
3 performed most cost-effectively when electrical circuits are de-energized. Using a
4 portable generator to provide uninterrupted service to customers, while at the same time
5 allowing electrical equipment to be de-energized for construction or repair, contributes
6 to reduced distribution and transmission construction costs.
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8 The response to Request for Information PUB 35.0 NP provides a review of the usage
9 history of the 1.5 MW portable unit.