

1 **Q. SUBSTATIONS**

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3 **DISTRIBUTION SYSTEM FEEDER REMOTE CONTROL (POOLED), p. 19 of**  
4 **81, \$779,000**

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6 **PUB 8.0 Why does the Company not consider this a multi-year project?**  
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9 A. The Provisional Capital Budget Application Guidelines dated June 2, 2005 (the  
10 “Guidelines”) provide for the application for capital expenditure approval of Multi-Year  
11 Projects, whereby a project that is expected to extend beyond a single year would be  
12 approved on initial review, and subject to additional review only where there is a material  
13 change in the scope, nature or forecast cost of the project. The Guidelines contemplate  
14 Multi-Year Projects where the scope, nature and forecast cost of each annual component  
15 of the project can be reliably determined in advance of the request for approval.  
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17 In Newfoundland Power’s view, a typical request for Board approval of a Multi-Year  
18 Project would involve a discrete project, such as the complete refurbishment of a  
19 hydroelectric generating plant, where planning of the total project has been completed in  
20 advance of the request for approval. In such circumstances, the scope, nature and  
21 forecast cost is less likely to change following the Board’s review.  
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23 Further, such projects often require the completion of work in subsequent years before  
24 certain components of plant and equipment acquired or constructed in prior years can be  
25 put into useful service. Where the value of capital expenditures in a prior year is  
26 materially dependent on expenditures in a subsequent year, it is appropriate that the  
27 multi-year expenditures be considered together.  
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29 Distribution System Feeder Remote Control is not a discrete project. Rather, it is an  
30 ongoing program of capital expenditures for the replacement of older technology relays  
31 and reclosers which is expected to be included in Newfoundland Power’s annual capital  
32 budgets for the foreseeable future. The annual expenditure requirements for such  
33 programs may vary with changing circumstances. Unanticipated developments affecting  
34 the electrical system, changes in technology and pricing, and competing demands on  
35 Newfoundland Power’s resources may alter the Company’s capital expenditure priorities  
36 and modify the requirements for expenditures on certain programs from year to year.  
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38 The value of the annual expenditures on programs such as Distribution System Feeder  
39 Remote Control is not typically dependent on expenditures in future years. In the case of  
40 Distribution System Feeder Remote Control, the benefits of the expenditures for the  
41 automation of the selected feeders in one year accrue commencing in that year, and do  
42 not depend on the automation of other components of the electrical system in subsequent  
43 years.

- 1 While it is conceivable that Newfoundland Power could seek a multi-year approval of
- 2 ongoing expenditure programs such as Distribution System Feeder Remote Control, the
- 3 Company believes it is most practical to present the annual components of the project
- 4 separately for the Board's review.