

**IN THE MATTER OF** the *Public Utilities Act*,  
R.S.N.L. 1990, Chapter P-47 (the “Act”)

And

**IN THE MATTER OF** capital expenditures and  
rate base of Newfoundland Power Inc.;

And

**IN THE MATTER OF** an Application by  
Newfoundland Power Inc. for an order pursuant  
to Sections 41 and 78 of the Act:

- (a) approving its 2010 Capital Budget of  
\$64,679,000; and
- (b) fixing and determining its 2008 rate base  
at \$820,876,000

**To Board of Commissioners of Public Utilities**

Suite E210, Prince Charles Building

120 Torbay Road

P.O. Box 12040

St. John's, NL A1A 5B2

Attention: Ms. G. Cheryl Blundon

Direct of Corporate Services & Board Secretary

## **SUBMISSIONS OF THE CONSUMER ADVOCATE**

**Project Title: Vehicle Mobile Computing Infrastructure (Pooled)**

**Project Cost: \$272,000**

1. This project is found at p. 91 of 96 of Schedule “B”.

2. This project is classified by the Company as “Justifiable” at page vi of Schedule “B” of the Capital Budget Application.
3. This project in 2010 involves the purchase and installation of 35 “ruggedized” laptop computers in company vehicles to be used by field staff.
4. The “Justification” for this project is stated at p. 91 of 96 as follows:

“This project will improve customer service and operational effectiveness. As well, this project is justified on the basis of ensuring compliance and ongoing adherence of safety and environmental standards and processes in use by the Company.”
5. According to Table 1 (at p. 91 of 96 of Schedule “B”), a further \$178,000 is expected to be spent in 2011. Footnote 1 on p. 84 of 96 states that 25 ruggedized laptop computers are being added in 2009 at a cost of \$350,000 (see CA-NP-31, Line 22). The per unit cost of the 2010 project is \$4,450 (see CA-NP-30, Line 14).
6. The Company plans to install a total of 80 ruggedized laptops in its vehicles as part of the Vehicle Mobile Computing Infrastructure Project. (See CA-NP-32).
7. These ruggedized laptops are estimated to have a useful life of 5 years (see CA-NP-33).

8. According to the Board's Capital Budget Application Guidelines (Guidelines) (revised as of October, 2007) Justifiable Expenditures are:

"Expenditures which are justified based on the positive impact the project will have on the utility's operations."

9. The Guidelines state as regards support for such projects:

"In relation to justifiable expenditures a utility must show:

1. All reasonable alternatives, including deferral, have been considered;  
and
2. The expenditure will provide tangible benefits to ratepayers, such as information showing a positive NPV, or the proposed resolution to an identified deficiency."

10. The Consumer Advocate observes that this project is not a so-called "one-off". The Company plans, as part of the overall initiative, to add an additional 80 laptops (ruggedized) to its already sizeable number of company laptops. Table 1 at p. 84 of 96 shows that in 2008, prior to this initiative, the Company which was already adding 49 and retiring 38 laptops had a total of 167 laptops. With 80 additional laptops there will be ongoing replacement needs, ergonomic installations, software upgrades, etc.

11. In reply to PUB-NP-24, the Company has stated that it has not produced a report outlining the plan, the timeline, the anticipated benefits and the anticipated cost to equip its vehicles with mobile computing infrastructure.
12. Whilst acknowledging that NP has provided some information about its initiative in reply to the Consumer Advocate's RFIs, it is respectfully submitted that both the Board and the Consumer Advocate have been provided with very little basis to adjudge the justifiability of this initiative in terms of its costs and benefits. The Company merely stated in reply to PUB-NP-24 as follows (at lines 15 to 22):

"With respect to anticipated benefits, this project enables least cost continued compliance with safety and environmental standards and processes. The introduction of mobile computing has further potential to improve efficiency in customer operations which the Company intends to assess in 2010.

With respect to anticipated cost, please refer to the responses to Requests for Information CA-NP-30 and CA-NP-31 for further information regarding the estimated cost to equip Newfoundland Power vehicles with mobile computing infrastructure."

13. The Consumer Advocate would respectfully characterize the Company's assessment of benefits and costs as being in the nature of broad, conclusory statements which fall well short of the justification that should be demanded for a project of this nature - one that if approved will undoubtedly exhibit a great capacity to endure.

14. It bears noting that the Company itself is on record before the Board stating the following:

“Merely proposing a capital project on the basis of “safety or reliability of service” is not conclusive as to whether the costs of the project are justified. Hydro’s six assessment factors are too broad to provide, in and of themselves, reasonable satisfaction of the regulatory least cost imperative. Safety and reliability issues may well not yield a positive result in a net present value analysis, yet still be justified. However, in such cases the Board should be satisfied that the expenditures are least cost when compared to alternative means of achieving the regulatory objectives of safety or reliability. Such justification will often require some degree of cost analysis.”

These comments were made by the Company at page C-43 of its Brief of Argument filed on January 21, 2002 in connection with NLH’s 2002 Capital Budget and in particular NLH’s proposed replacements of its very high frequency (VHF) radio system and the replacement of the diesel generator at Harbour Deep. The Consumer Advocate believes that these observations are equally applicable to this project.

15. The Company in reply to PUB-NP-24 has stated that it intends to assess the potential of this technology to improve customer operations in 2010. According to CA-NP-35, the Company is currently testing six units to evaluate the functionality, ergonomics and overall effectiveness of equipment configuration alternatives and the ruggedized laptops procured as part of the 2009 project are not expected to be installed in vehicles until the Fall of 2009.

16. The Consumer Advocate respectfully submits that the costs associated with this proposed project require a thorough cost analysis and demonstration that the expenditures are least cost when compared to alternative means of achieving the regulatory objectives of “safety and environmental standards and processes” referred to by the Company in reply to PUB-NP-24.

**Project Title: Purchase Vehicles and Aerial Devices (Pooled)**

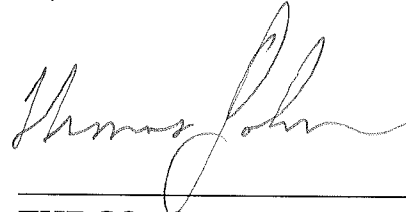
**Project Cost:           \$2,352,000**

17. This project is found at p. 72 of 96 of Schedule “B”.
18. The purchase of vehicles and aerial devices is naturally a significant capital budgetary item on an annual basis.
19. Clearly, the determination that a unit proposed for replacement has “reached the end of its useful life” is a critical determination.
20. The Consumer Advocate believes that the question asked in PUB-NP-17 as regards the use of a template listing the factors that are to be considered in making this “end of useful life” determination was a valid and reasonable inquiry. From the response to PUB-NP-17, it appears that the Company uses templates as regards inspection and maintenance of vehicles in service. In a sense the Company also uses a “template” or “rule of thumb” to determine when a unit should be considered for replacement - i.e. the 10 year/250,000 kms threshold for heavy fleet vehicles and 5

years or 150,000 kms for passenger vehicles. Not surprisingly, the Company relies upon individual evaluations based upon overall condition, maintenance history and immediate repair requirements to determine whether they have reached the end of their useful lives. However, one does not get the sense from the Company's reply that it uses a template. A template in the Consumer Advocate's respectful submission may help bring a further measure of objectiveness to the "end of useful life" determination. This may be of particular value to the determination for the heavy fleet.

21. To illustrate, two of the heavy fleet vehicles proposed for replacement in 2010 are a 2000 International 4900 with 139,000 kilometers and a 2000 Freightliner with 153,000 kilometers (CA-NP-27). These units have relatively low mileage relative to the 250,000 km threshold, but will meet the 10 year threshold. At page 72 of 96 the Company states "that it individually evaluates all vehicles considered for replacement according to a number of criteria to ensure replacement is the least cost option." Presumably, the Company has determined that these units, when considered against a number of criteria, should be replaced as the least cost option. However, it is not clear how the Company went about making this determination. Particularly where vehicles are proposed to be retired well before they have reached the threshold mileage, it would be helpful if the particular unit could be assessed relative to a template so that its proposed replacement might be assessed as against an objective standard.

**RESPECTFULLY SUBMITTED AND DATED** at St. John's, in the Province of Newfoundland and Labrador, this 17<sup>th</sup> day of September, 2009.

A handwritten signature in cursive script, appearing to read 'Thomas Johnson', written in black ink.

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**THE CONSUMER ADVOCATE**

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