CI 34622

Upgrade L-8002

REDACTED

September 2, 2010

NOVA SCOTIA POWER
An Emera Company

NOVA SCOTIA POWER
An Emera Company

UARB APPROVAL SHEET

Project Title: **Upgrade L-8002** CI Number: 34622

■ Capital Project Authorization

☐ ATO

☐ Final Cost

Head Office Use:

Project Number:

Date: August 30, 2010

Location:			Division:	
Expenditure Profile			**Schedule**	
YEAR	Budget Estimate	Project Estimate		
2010	1,201,706	1,022,592	Estimated Start Date	2010-09
2011	456,483	1,200,047	Estimated In-Service Date	2011-11
			Estimated Close Date	2011-12
Total	$1,658,189	$2,222,639		

COMMENTS

Submitted on behalf of NOVA SCOTIA POWER INCORPORATED

Aug 30/2010

Authorized Signatory
Mark Savory
VP Technical and Construction

DATE

Approved on behalf of NOVA SCOTIA UTILITY AND REVIEW BOARD

DATE

CI Number :	34622	- Upgrade L-8002	Project Number
Parent CI Number :		-	
Cost Centre :	800	- 800-Services - Admin.	Budget Version - 2010 07/05 Forecast

	Forecast
Start :	09/01/2010
Operational :	11/30/2011
Final Cost :	12/31/2011
2010	$1,022,591.96
2011	$1,200,047.09
Total :	$2,222,639.05
Original Cost :	$1,191,013.00

This project provides for costs associated with upgrading L-8002 (Onslow - Lakeside) to an operating temperature of 60 degrees Celsius. There will be 28 structures replaced on L-8002.

Summary of Related CI's +/- 2 years
2009 - 33542 Upgrade L-8002 $1,601,290

CI Number : 34622 - Upgrade L-8002 **Project Number**

Parent CI Number : - **Approved Date**

Cost Centre : 800 - 800-Services - Admin. **Budget Version** 2010 07/05 Forecast

Capital Item Accounts

Acct	Actv	Account	Activity	Forecast Amount	Amount	Variance
092		092-Vehicle T&D Reg. Labour AO		5,110	0	5,110
095		095-COPS Regular Labour AO		17,648	0	17,648
095		095-COPS Contracts AO		290,618	0	290,618
012	035	012 - Materials	035 - TP - Wood Poles	651,824	0	651,824
013	035	013 - COPS Contracts	035 - TP - Wood Poles	1,188,136	0	1,188,136
013	038	013 - COPS Contracts	038 - TP - Insulators	0	0	0
001	085	001 - Regular Labour (No AO)	085 Design	40,000	0	40,000
002	085	002 - Overtime Labour (No AO)	085 Design	0	0	0
011	085	011 - Travel Expense	085 Design	3,000	0	3,000
041	085	041 - Meals & Entertainment	085 Design	1,500	0	1,500
001	087	001 - T&D Regular Labour	087 Field Super.& Ops.	22,303	0	22,303
002	087	002 - T&D Overtime Labour	087 Field Super.& Ops.	0	0	0
011	087	011 - Travel Expense	087 Field Super.& Ops.	2,000	0	2,000
041	087	041 - Meals & Entertainment	087 Field Super.& Ops.	500	0	500
			Total Cost:	2,222,639	0	2,222,639
			Original Cost:	1,191,013		

CI Number :	34622	- Upgrade L-8002	**Project Number**
Parent CI Number :		-	**Approved Date**
Cost Centre :	800	- 800-Services - Admin.	

Capital Item Justification

Justification Criteria : TRANSMISSION PLANT
Sub-Criteria : <Select a value>
Name of Report :
Document Location :
Person Responsible : STEPHEN HAZEL

Why do this project?

This project is required to increase the clearance from the energized conductors to the ground on L-8002, which in some locations, does not satisfy the minimum Canadian Standards Association (CSA) criteria for ground clearance on a 345 kV circuit.

Why do this project now?

This project will ensure proper clearances are restored and operating ratings can be maintained.

Why do this project this way?

This project will raise the height spans on this circuit that do not meet the CSA standard requirement. This will be achieved by installing new structures at the mid span and raising other structures.

This work is being completed by NSPI and an affiliate, in accordance with the approach described in response to the ACE 2010 IR-T11(d).

CI Number :	34622	- Upgrade L-8002	Project Number
Parent CI Number :		-	Approved Date
Cost Centre :	800	- 800-Services - Admin.	

Reason for Variance / Over Expenditure / Final Costing

14330092

The variance between ACE 2010 and the revised submission is due to a revised project estimate. Additional work was included in 2011 that had originally been omitted from the ACE 2010 version, the overall scope of the project has not increased. This variance is partially offset by a decrease in interest due interest being applied in error in the ACE 2010 version.

34622 - Upgrade L-8002

Account	ACE 2010	Current Submission	Variance
001 - Regular Labour (No AO)	-	40,000	40,000
001 - T&D Regular Labour	32,303	22,303	(10,000)
011 - Travel Expense	-	5,000	5,000
012 - Materials	506,125	651,824	145,699
013 - COPS Contracts	772,397	1,188,136	415,739
041 - Meals & Entertainment	-	2,000	2,000
092-Vehicle T&D Reg. Labour AO	7,401	5,110	(2,291)
094 - Interest Capitalized	125,474	-	(125,474)
095-COPS Contracts AO	188,928	290,618	101,690
095-COPS Regular Labour AO	25,561	17,648	(7,913)
	1,658,189	**2,222,639**	**564,450**

CI 34622 – Upgrade L-8002

The following is a breakdown of costs associated with the Upgrade L-8002

• Administrative Overheads and Interest	$313,376
• Labour	$62,303
• Materials	$651,824
• Contracts	$1,188,136
• Other	$7,000
• Total	$2,222,639

The major costs for this project include Contracts at an estimate of $1,188,136 which is based on a rate of [redacted]/hour. Materials are estimated at a cost of $651,824. Due to a change in scope from the ACE 2010 version of 56 poles being replaced on 28 structures, this project now consists of 48 poles being replaced on 24 structures.

NON-CONFIDENTIAL

Transmission Responses

Request IR-T11:

With respect to page 201, CI# 34622 - Upgrade L8002,

a) This project is a continuation of the work started in the 2009 ACE Plan under CI# 33542. Please provide an update on the project comparing the planned work with the actual work encountered and provide a comparison of the budget vs actual expenditures.

b) Is the total amount budgeted, $1,658,189, sufficient to complete the required work to upgrade the line?

c) The expenditure proposed for 2010 is $1,201,706 (72% of budget) and will not complete the required work. Why is this project not being completed in 2010 considering the remaining value of the work is equivalent to the expenditure made in 2009 which was budgeted at $1,601,290?

d) In the Board Order issued on August 20,2009 approving work order CI# 33542 stated:

> **... NSPI is directed to include clear documentation which sets out the manner in which compliance with the Code, including Section 2.1 (a) of same, has been achieved on each of the Work Order applications submitted for approval on and after June 1, 2009.**

For this particular work order, CI# 34622, please provide a clear explanation of the steps being taken to comply with the directive.

NON-CONFIDENTIAL

Response IR-T11:

a) The actual work encountered in 2009 was as previously forecasted. The ACE amount for this project was $1.6 million and the actual amount was $1.2 million.

b-c) The total amount budgeted is sufficient to complete the project. This project is not being completed in 2010 because of transmission line outage scheduling.

d) The Board's letter dated August 20, 2009, in which the Board approved Capital Item 33542-Upgrade L-8002, contained the following directive:

NSPI is directed to include clear documentation which sets out the manner in which compliance with the Code, including Section 2.1 (a) of same, has been achieved on each of the Work Order applications submitted for approval on and after June 1, 2009.

Section 2.1(a) of the Code of Conduct is provided below:

2.1 NSPI will precede any transaction by which it acquires from or provides to an affiliate any goods, services, leases, asset transfers, or other exchanges of value, with a sound, objective, and transparent process and reasonable documentation;

(a) The process and documentation shall identify and then compare transacting with an affiliate to: (i) provisioning through other, reasonably available commercial alternatives, (ii) self-provisioning by NSPI, (iii) joint NSPl/third-party provisioning, (iv) joint NSPl/affiliate provisioning, and (v) such other arrangements as may be reasonably available under the applicable circumstances at the time of the decision.

In previous correspondence with the Board NSPI has provided information regarding its contract with Emera Utility Services (EUS) for the supply of contractor linework services. The parties operate according to the terms of a three-year contract which was awarded to EUS following a competitive solicitation process conducted by NSPI in 2007.

Response IR-T11: (cont'd)

The Current PLT Contract

In the Board's June 2008 Decision in respect of the review of affiliate transactions, NSPI was directed not to make any modifications or extensions to existing contractual arrangements in respect of PLT services. The Board anticipated that concerns about PLT contract services would be addressed by the revisions to the Code of Conduct, which have subsequently become effective on June 1, 2009.

The terms of the contract provide:

- The contract extends for the period 2008 to 2010.
- EUS to provide Standard Work Hours (SWH) of distribution and transmission work per year to NSPI.
- Rates vary according to work volumes and whether or not the work is completed under energized conditions.
- Work includes scoping, planning and scheduling and maintenance and construction activities.

NSPI has not made any changes to its master agreement with EUS, nor has that master agreement been extended. It will expire on December 31, 2010. At that time, if a new master agreement is executed with an affiliate, the new terms of the Code of Conduct will apply to that contractual relationship.

The Code provisions regarding self-provisioning must be interpreted in the current context. The Board changed the Code of Conduct after the PLT contract was executed (following a competitive solicitation) and the Board had directed NSPI not to change existing contracts.

Response IR-T11: (cont'd)

The purpose PLT contract explicitly recognizes that the Company's internal workforce is already fully deployed throughout the year, and thus not a viable alternative to using a contractor for most jobs. Project-by-project self-provisioning analyses would become a question of whether to do the required work. NSPI does not consider this a viable or desirable option for customers.

A more informative approach to self-provisioning analysis would be one which focused on the decision to assign work to the affiliate, within the context of the existing agreement, to ensure the most efficient management of project completion by utilizing both workforces. This would be consistent with NSPI's contractor management model which takes the following into consideration:

- The nature of the work to be undertaken (e.g. transmission versus distribution, live line versus deadline, customer requested versus new construction);

- The availability of NSPI's PLT workforce;

- The scope of the project (i.e. Is the project better matched with NSPI crew availability/size or a contractor crew);

- Project location, duration, resource requirements.

This is the approach to self-provisioning analysis for linework that NSPI intends to employ on future capital applications.

Reasons for engaging contractors versus undertaking work with the Company's workforce include the following:

Response IR-T11: (cont'd)

- The work requirement is intermittent. The contractor is able to sustain its workforce and the skills of its employees by doing similar work for other parties. The intermittent nature of the work would not warrant NSPI increasing its full-time workforce to perform the work.

- Contractor costs are lower than the cost of NSPI undertaking the work directly.

- Work location and/or content vary significantly over time. The flexibility provided by the contractor cannot be economically achieved by NSPI. Moreover aspects of the work may not require the full skill set held by NSPI employees.

- The work is highly specialized. Some work requires a unique skill-set not possessed by NSPI personnel.

The primary functions for this group of employees are:

- Distribution System repair, maintenance and construction

- Transmission System repair, maintenance and construction

- Customer outage restoration

- Customer connection/disconnection

The level of variability supports NSPI's engagement of a contractor workforce. The contractor allows NSPI to meet its customers' needs during peak operating and capital work volumes without making a long-term commitment to a significantly increased internal workforce where this requirement may not be sustained in the long-term.

NON-CONFIDENTIAL

Response IR-T11: (cont'd)

The contractor workforce provides a high level of flexibility to deploy PLT resources across the Province and across functions that is difficult to achieve with an internal workforce. As well, the contractor engagement allows NSPI to manage a larger work load, while ensuring jobs undertaken by its own highly skilled PLT workforce are most appropriate for that group and for our customers.

The NSPI/EUS lineworker contract is in its final year. NSPI's competitive solicitation will test the PLT contractor market in the region. NSPI is committed to completing a comprehensive self-provisioning analysis, prior to entering into a new contract with an affiliate for PLT services if an affiliate is the competitive bidder. This work will review the Company's long-term line-work work plan, and its outlook for employee additions and retirements.