

- 1 Q. Update Section F of the Application to August 31, 2004, or the latest
2 available date.
3
4
5 A. Please refer to the attached.

NEWFOUNDLAND & LABRADOR HYDRO

2004 CAPITAL EXPENDITURES - OVERVIEW

FOR THE PERIOD ENDING AUGUST 31, 2004

(\$,000)

	Expenditures Prior To 2004	PUB Approved Budget 2004	2004 Expenditures To August 31	Expected Remaining Expenditures 2004	Expected Total Expenditures 2004	Var. from Approved to Expected Expenditures
GENERATION	191	4,049	2,270	1,719	3,989	(60)
TRANSMISSION & RURAL OPERATIONS	1,159	11,999	6,811	6,106	12,917	918
GENERAL PROPERTIES	2,633	11,350	3,654	5,316	8,970	(2,380)
ALLOWANCE FOR UNFORESEEN EVENTS	0	1,000	0	1,000	1,000	0
PROJECTS APPROVED BY PUB	62	2,798	832	1,966	2,798	0
NEW PROJECTS LESS THAN \$50,000 APPROVED BY HYDRO	18	239	99	140	239	0
TOTAL CAPITAL BUDGET	4,063	31,435	13,666	16,247	29,913	(1,522)
Approved PU 29 (2003)		27,316				
Approved PU 5 (2004)		1,534				
Approved PU 13 (2004)		303				
Approved PU 16 (2004)		465				
Approved PU 28 (2004)		258				
Approved PU 34 (2004)		95				
Carryover Projects		1,255				
New Projects Under \$ 50,000 Approved by Hydro		209				
Revised TOTAL CAPITAL BUDGET		31,435				

NEWFOUNDLAND & LABRADOR HYDRO

2004 CAPITAL EXPENDITURES - OVERVIEW

FOR THE PERIOD ENDING AUGUST 31, 2004
(\$,000)

	Expenditures Prior To 2004	PUB Approved Budget 2004	2004 Expenditures To August 31	Expected Remaining Expenditures 2004	Expected Total Expenditures 2004	Var. from Approved to Expected Expenditures	
GENERATION							
HYDRO PLANTS							
Construction Projects	191	1,474	806	603	1,409	(65)	3
Tools & Equipment	0	194	159	26	185	(9)	3
THERMAL PLANT							
Construction Projects	0	2,281	1,300	981	2,281	0	3
Property Additions	0	78	1	77	78	0	3
Tools & Equipment	0	22	4	32	36	14	3
TOTAL GENERATION	191	4,049	2,270	1,719	3,989	(60)	
TRANSMISSION & RURAL OPERATIONS							
TRANSMISSION	401	3,926	2,140	2,474	4,614	688	4
SYSTEM PERFORMANCE & PROTECTION	0	303	130	176	306	3	4
TERMINALS	165	1,690	455	1,095	1,550	(140)	4
DISTRIBUTION	0	5,153	3,567	2,047	5,614	461	5
GENERATION	593	238	138	80	218	(20)	5
GENERAL							
Metering	0	104	18	87	105	1	5
Properties	0	49	3	46	49	0	5
Tools & Equipment	0	536	360	101	461	(75)	5
TOTAL TRANSMISSION & RURAL OPERATIONS	1,159	11,999	6,811	6,106	12,917	918	
GENERAL PROPERTIES							
INFORMATION SYSTEMS & TELECOMMUNICATIONS	1,495	8,512	1,906	4,265	6,171	(2,341)	6
ADMINISTRATIVE	1,138	2,838	1,748	1,051	2,799	(39)	6
TOTAL GENERAL PROPERTIES	2,633	11,350	3,654	5,316	8,970	(2,380)	
ALLOWANCE FOR UNFORESEEN EVENTS	0	1,000	0	1,000	1,000	0	8
PROJECTS APPROVED BY PUB	62	2,798	832	1,966	2,798	0	8
PROJECTS APPROVED FOR LESS THAN \$50,000	18	239	99	140	239	0	8
TOTAL CAPITAL BUDGET	4,063	31,435	13,666	16,247	29,913	(1,522)	

**NEWFOUNDLAND & LABRADOR HYDRO
GENERATION
2004 CAPITAL EXPENDITURES - DETAIL
FOR THE PERIOD ENDING AUGUST 31, 2004
(\$,000)**

PROJECT DESCRIPTION	PUB Expenditures Prior To 2004	2004 Approved Budget 2004	2004 Expenditures To August 31	Expected Remaining Expenditures 2004	Expected Total Expenditures 2004	Var. from Approved to Expected Expenditures	Variance Explanation Reference
HYDRO PLANTS							
CONSTRUCTION PROJECTS							
Replace Vibration/Data System - Bay D'Espoir	179	18	19	0	19	1	
Replace Unit 7 Exciter - Bay D'Espoir	10	760	522	143	665	(95)	Note 1
Replace Gate Hoist No. 2 - Ebbegunbaeg Control Structure	2	513	53	460	513	0	
Upgrade Controls Spherical Valve #3 - Bay D' Espoir		183	212	0	212	29	
TOTAL CONSTRUCTION PROJECTS	191	1,474	806	603	1,409	(65)	
TOOLS & EQUIPMENT							
Replace Loader/Backhoe - Bay d'Espoir	0	124	119	0	119	(5)	
Purchase & Replace Tools & Equipment Less than \$50,000	0	70	40	26	66	(4)	
TOTAL TOOLS & EQUIPMENT	0	194	159	26	185	(9)	
THERMAL PLANT							
CONSTRUCTION PROJECTS							
Upgrade Control System - Holyrood		1,553	861	692	1,553	0	
Purch/Inst Ambient Monitoring System Enhancement		728	439	289	728	0	
TOTAL CONSTRUCTION PROJECTS	0	2,281	1,300	981	2,281	0	
PROPERTY ADDITIONS							
Upgrade Civil Structures - Holyrood		78	1	77	78	0	
TOTAL PROPERTY ADDITIONS	0	78	1	77	78	0	
TOOLS & EQUIPMENT							
Purchase & Replace Tools & Equipment Less than \$50,000	0	22	4	32	36	14	
TOTAL TOOLS & EQUIPMENT	0	22	4	32	36	14	
TOTAL GENERATION	191	4,049	2,270	1,719	3,989	(60)	

NEWFOUNDLAND & LABRADOR HYDRO
TRANSMISSION & RURAL OPERATIONS
2004 CAPITAL EXPENDITURES - DETAIL
FOR THE PERIOD ENDING AUGUST 31, 2004
(\$,000)

PROJECT DESCRIPTION	PUB Expenditures Prior To 2004	2004 Approved Budget 2004	2004 Expenditures To August 31	Expected Remaining Expenditures 2004	Expected Total Expenditures 2004	Var. from Approved to Expected Expenditures	Variance Explanation Reference
TRANSMISSION							
Upgrade TL214 - (138kV Bottom Brook - Doyles)	401	2,546	2,059	1,095	3,154	608	Note 2
Replace Insulators TL233 - (230kV Buchans - Bottom Brook)		1,055	39	1,096	1,135	80	Note 3
Replace Wood Poles - Transmission		325	42	283	325	0	
TOTAL TRANSMISSION	401	3,926	2,140	2,474	4,614	688	
SYSTEM PERFORMANCE & PROTECTION							
Purch/Install 138Kv Breaker Fail Protection Addition - Deer Lake/Sunnyside		150	41	109	150	0	
Replace Digital Fault Recorder - BDE		77	43	34	77	0	
Purchase and Install Remote Relay Data Acquisition Equipment		46	28	18	46	0	
Upgrade Breaker Controls - Western Avalon & Holyrood Terminal Stations		30	18	15	33	3	
TOTAL SYSTEM PERFORMANCE & PROTECTION	0	303	130	176	306	3	
TERMINALS							
Purchase and Install Transformer Addition - Happy Valley Terminal Station	6	1,245	293	905	1,198	(47)	
Install Motor Drive Mechanisms on Disconnect Switches - West Coast		207	7	114	121	(86)	Note 4
Replace Instrument Transformers		77	39	38	77	0	
Replace Surge Arrestors		70	37	33	70	0	
Upgrade Breaker Controls - Sunnyside Terminal Station	18	15	7	0	7	(8)	
Replace Digital Fault Recorder - Holyrood Terminal Station	70	6	7	0	7	1	
Upgrade Station Services - Long Harbour TS	71	12	8	4	12	0	
Replace 125V Battery Banks - Bottom Brook and Holyrood Terminal Stations	0	58	57	1	58	0	
TOTAL TERMINALS	165	1,690	455	1,095	1,550	(140)	

NEWFOUNDLAND & LABRADOR HYDRO
TRANSMISSION & RURAL OPERATIONS
2004 CAPITAL EXPENDITURES - DETAIL
FOR THE PERIOD ENDING AUGUST 31, 2004
(\$,000)

PROJECT DESCRIPTION	PUB Expenditures Prior To 2004	2004 Approved Budget 2004	2004 Expenditures To August 31	Expected Remaining Expenditures 2004	Expected Total Expenditures 2004	Var. from Approved to Expected Expenditures	Variance Explanation Reference
<u>DISTRIBUTION</u>							
Service Extensions		1,558	1,130	657	1,787	229	Note 5
Distribution Upgrades		1,471	1,539	719	2,258	787	Note 6
Pole Replacements		993	341	523	864	(129)	Note 7
Insulator Replacements		945	503	73	576	(369)	Note 8
Purchase and Install Recloser L6 - Bear Cove		85	21	58	79	(6)	
Replace Substation Transformer - Rigolet		76	18	9	27	(49)	
Purchase and Install Recloser L1 - Conche		25	15	8	23	(2)	
TOTAL DISTRIBUTION	0	5,153	3,567	2,047	5,614	461	
<u>GENERATION</u>							
Protection Upgrades - Isolated Systems	593	33	13	0	13	(20)	
Upgrade Generator Relaying - Happy Valley North Plant		170	110	60	170	0	
Purchase and Install P.T.'s - Ramea		35	15	20	35	0	
TOTAL GENERATION	593	238	138	80	218	(20)	
<u>GENERAL</u>							
<u>METERING</u>							
Purchase Meters & Equipment - TRO System		98	18	80	98	0	
Purchase Metering Spares - Bulk Electrical System		6	0	7	7	1	
TOTAL METERING	0	104	18	87	105	1	
<u>PROPERTIES</u>							
Survey of Hydro's Primary Distribution Line Right-of-Ways		49	3	46	49	0	
TOTAL PROPERTIES	0	49	3	46	49	0	
<u>TOOLS & EQUIPMENT</u>							
Purchase & Replace Tools & Equipment Less than \$ 50,000 (Carryover 2003)	0	45	60	0	60	15	
Purchase & Replace Tools & Equipment Less than \$ 50,000	0	102	78	23	101	(1)	
Replace Light Duty Mobile Equipment Less than \$50,000		389	222	78	300	(89)	Note 9
TOTAL TOOLS & EQUIPMENT	0	536	360	101	461	(75)	
TOTAL GENERAL	0	689	381	234	615	(74)	
TOTAL TRANSMISSION & RURAL OPERATIONS	1,159	11,999	6,811	6,106	12,917	918	

NEWFOUNDLAND & LABRADOR HYDRO
GENERAL PROPERTIES
2004 CAPITAL EXPENDITURES - DETAIL
FOR THE PERIOD ENDING AUGUST 31, 2004
(\$,000)

PROJECT DESCRIPTION	PUB Expenditures Prior To 2004	2004 Approved Budget 2004	2004 Expenditures To August 31	Expected Remaining Expenditures 2004	Expected Total Expenditures 2004	Var. from Approved to Expected Expenditures	Variance Explanation Reference
<u>INFORMATION SYSTEMS & TELECOMMUNICATIONS</u>							
<u>SOFTWARE APPLICATIONS</u>							
<u>INFRASTRUCTURE REPLACEMENT</u>							
Replace Energy Management System - Energy Control Centre	387	5,120	831	1,892	2,723	(2,397)	Note 10
<u>NEW INFRASTRUCTURE</u>							
Corporate Applications Environment		540	148	392	540	0	
Applications Enhancements		463	51	412	463	0	
Security Program - Centralized Log Monitoring & Analysis System	71	69	10	59	69	0	
Security Program - Secure Remote Access		75	6	69	75	0	
TOTAL SOFTWARE APPLICATIONS	458	6,267	1,046	2,824	3,870	(2,397)	
<u>COMPUTER OPERATIONS</u>							
<u>NEW INFRASTRUCTURE</u>							
Peripheral Infrastructure Replacement		101	84	17	101	0	
TOTAL COMPUTER OPERATIONS	0	101	84	17	101	0	
<u>NETWORK SERVICES</u>							
<u>INFRASTRUCTURE REPLACEMENT</u>							
Replace Powerline Carrier Equipment - Transmission System - West Coast	1,037	391	80	311	391	0	
Replace Battery System - Multiple Sites - 2004		274	235	73	308	34	
Replace Remote Terminal Unit for Hydro - Phase 5		314	228	86	314	0	
Replace Telephone Isolation Equipment - Doyles		49	3	68	71	22	
Upgrade Site Grounding at Telecontrol Site - Phase 5		49	3	46	49	0	
<u>NETWORK INFRASTRUCTURE</u>							
Purchase Test Equipment		48	48	0	48	0	
Upgrade Local Area Networks (LANs) - Multiple Sites - 2004		48	20	28	48	0	
<u>UPGRADE OF TECHNOLOGY</u>							
Replacement of Operational Data & Voice Network - Phase II		971	159	812	971	0	
TOTAL NETWORK SERVICES	1,037	2,144	776	1,424	2,200	56	
TOTAL INFORMATION SYSTEMS & TELECOMMUNICATIONS	1,495	8,512	1,906	4,265	6,171	(2,341)	

NEWFOUNDLAND & LABRADOR HYDRO
GENERAL PROPERTIES
2004 CAPITAL EXPENDITURES - DETAIL
FOR THE PERIOD ENDING AUGUST 31, 2004
(\$,000)

PROJECT DESCRIPTION	PUB Expenditures Prior To 2004	2004 Approved Budget 2004	2004 Expenditures To August 31	Expected Remaining Expenditures 2004	Expected Total Expenditures 2004	Var. from Approved to Expected Expenditures	Variance Explanation Reference
<u>ADMINISTRATIVE</u>							
<u>VEHICLES</u>							
Replace Vehicles - Hydro System - 2003	1,138	1,588	1,069	519	1,588	0	
Replace Vehicles - Hydro System - 2004		1,081	679	402	1,081	0	
<u>ADMINISTRATION</u>							
Purchase Cash Remittance Processor		60	0	60	60	0	
Electronic Metering Reading		36	0	36	36	0	
Purchase & Replace Admin Office Equip less than \$50,000	0	73	0	34	34	(39)	
TOTAL ADMINISTRATIVE	1,138	2,838	1,748	1,051	2,799	(39)	
TOTAL GENERAL PROPERTIES	2,633	11,350	3,654	5,316	8,970	(2,380)	

NEWFOUNDLAND & LABRADOR HYDRO
OTHER APPROVED FUNDS
2004 CAPITAL EXPENDITURES - DETAIL
FOR THE PERIOD ENDING AUGUST 31, 2004
(\$,000)

PROJECT DESCRIPTION	PUB Expenditures Prior To 2004	2004 Approved Budget	2004 Expenditures To August 31	Expected Remaining Expenditures 2004	Expected Total Expenditures 2004	Var. from Approved Expenditures	Variance Explanation Reference
<u>ALLOCATION FOR UNFORESEEN EVENTS</u>							
Allocation for Unforeseen Events		1,000	0	1,000	1,000	0	
TOTAL ALLOCATION FOR UNFORESEEN EVENTS	0	1,000	0	1,000	1,000	0	
<u>PROJECTS APPROVED BY PUB</u>							
<u>Carryover</u>							
Load Research - Island and Labrador Interconnected Systems	62	143	85	58	143	0	
Wind Generation - Ramea Contribution	9 (9)	89 (89)	79 (72)	10 (17)	89 (89)	0	
<u>New</u>							
Upper Salmon Slope Stabilization		102	82	20	102	0	
Office Server & Productivity Tools Evergreen		639	53	586	639	0	
End User Evergreen Program		793	530	263	793	0	
Increase Generation - Port Hope Simpson		303	7	296	303	0	
Holyrood Marine Terminal - Security Upgrade		465	68	397	465	0	
Replacement of Diesel Unit -Hopedale		258	0	258	258	0	
Relocate Mobile Diesel Unit-Roddickton to St. Anthony		95	0	95	95	0	
TOTAL PROJECTS APPROVED BY PUE	62	2,798	832	1,966	2,798	0	
<u>NEW PROJECTS LESS THAN \$50,000 APPROVED BY HYDRO</u>							
<u>Carryover</u>							
Project Review - Replace VHF Mobile Radio Systems	18	61	60	1	61	0	
<u>New</u>							
Purchase Site License for Prowox 32		33	1	32	33	0	
Replace Battery Bank - Grand Lake Crossing		26	9	17	26	0	
Purchase VHF Radios		27	0	27	27	0	
Replace Air Conditioning Unit - Hardwoods Terminal Station		24	23	1	24	0	
Preliminary Engineering - Rencontre Interconnection		49	6	43	49	0	
Purchase Condensor Easi Drive Mechansim-Units 1&2 Holyrood		19	0	19	19	0	
TOTAL PROJECTS LESS THAN \$50,000 APPROVED BY HYD	18	239	99	140	239	0	

GENERATION:

1. Replace Unit 7 Exciter - Bay d'Espoir

The original budget estimate was based on the exciter model Unitrol P identical to Units 1 - 6 exciters at Bay d'Espoir. However, since the replacement of Units 1 - 6 exciters at Bay d'Espoir, the manufacturer introduced a new exciter model (Unitrol F) which is lower in cost and easy to maintain. Hydro has used model Unitrol F at Cat Arm Unit 1 and at Granite Canal. Based on this experience Unitrol F was selected for Unit 7 at Bay d'Espoir. The lower final forecast is primarily due to the cost difference between model Unitrol P and Unitrol F.

TRANSMISSION & RURAL OPERATIONS:

2. Upgrade TL214 - (138KV Bottom Brook - Doyles)

The variance is a result of additional funds being required for the transmission line construction contract and for the structural steel supply. Costs for the transmission construction were substantially higher than what was forecasted in the original project estimate, primarily due to the compressed construction schedule required for system operations.

3. Replace Insulators TL233 (230kV Buchans - Bottom Brook)

The variance is a result of:

- 1) additional funds being required for the Construction Contract, and
- 2) the original work plan was based on the concept that the line would not have to be put back in service at the end of each workday which resulted in additional cost.

4. Install Motor Drive Mechanisms on Disconnect Switches - West Coast

Based on experience gained on the installations of motor drive mechanisms in 2003, a more efficient work plan was derived from what was presented in the budget. This more efficient plan resulted in the reduction in costs as shown by the variance.

5. Service Extensions

The budgeted amount is an annual allotment based on the average of the annual expenditures for service extensions over the last five years. It is not based on a summary of specific project costs. The variance represents the amount by which the current year's service extensions and corresponding expenditures are expected to exceed the average of the last five years.

6. Distribution Upgrading

The budgeted amount is an annual allotment based on the average of the annual expenditures for distribution upgrades over the last five years. It is not based on a summary of specific project costs. The variance represents the amount by which the current year's distribution upgrades and corresponding expenditures are expected to exceed the average of the last five years. Areas where above average expenditures were required include the L'Anse-au-Loup and Fogo Island distribution systems.

TRANSMISSION & RURAL OPERATIONS: (cont'd.)

7. Pole Replacements

The Capital Budget Proposal estimates were based on cost data for projects completed in years prior to 2003. In 2003, the nature of distribution line construction work in the province resulted in a significant reduction in construction costs as compared to previous years. This trend of lower construction costs continues to prevail in 2004. The variance reflects the reduction in costs due to current construction trends which are significantly lower than the original budget estimate.

8. Insulator Replacements

The Capital Budget Proposal estimates were based on cost data for projects completed in years prior to 2003. In 2003, the nature of distribution line construction work in the province resulted in a significant reduction in construction costs as compared to previous years. This trend of lower construction costs continues to prevail in 2004. The variance reflects the reduction in costs due to current construction trends which are significantly lower than the original budget estimate.

9. Replace Light Duty Mobile Equipment Less Than \$50,000

The 2004 Capital Budget Proposal was based on the purchase of forty-nine units of light duty mobile equipment. A review of fleet requirements identified a reduction in light duty mobile equipment units from forty-nine to thirty-six. The budget variance is the result of the reduction in the number of units required.

GENERAL PROPERTIES:

10. Replace Energy Management System - Energy Control Centre

The cashflow for the EMS has changed from that submitted in 2003 Capital Budget proposal. The 2003 Capital Budget proposal was prepared based on the report by KEMA with an anticipated contract signing in December 2003 and an in-service date of February 2006. Due to slower progress than anticipated in the KEMA report to address the rather complex nature of the contract, it was not signed until June 2004 and therefore the scheduled project completion milestone has changed to June 2006. As a result the estimated costs for 2004 and 2005 are forecasted down and estimated costs for 2006 are forecasted up. The total cost for the project has not changed.