

**Q. DISTRIBUTION**

**PUB 17.0 (RE: p. 47 & 48 of 73) Relocate/Replace Distribution Lines for Third Parties (\$734,000)**

**PUB 17.1**

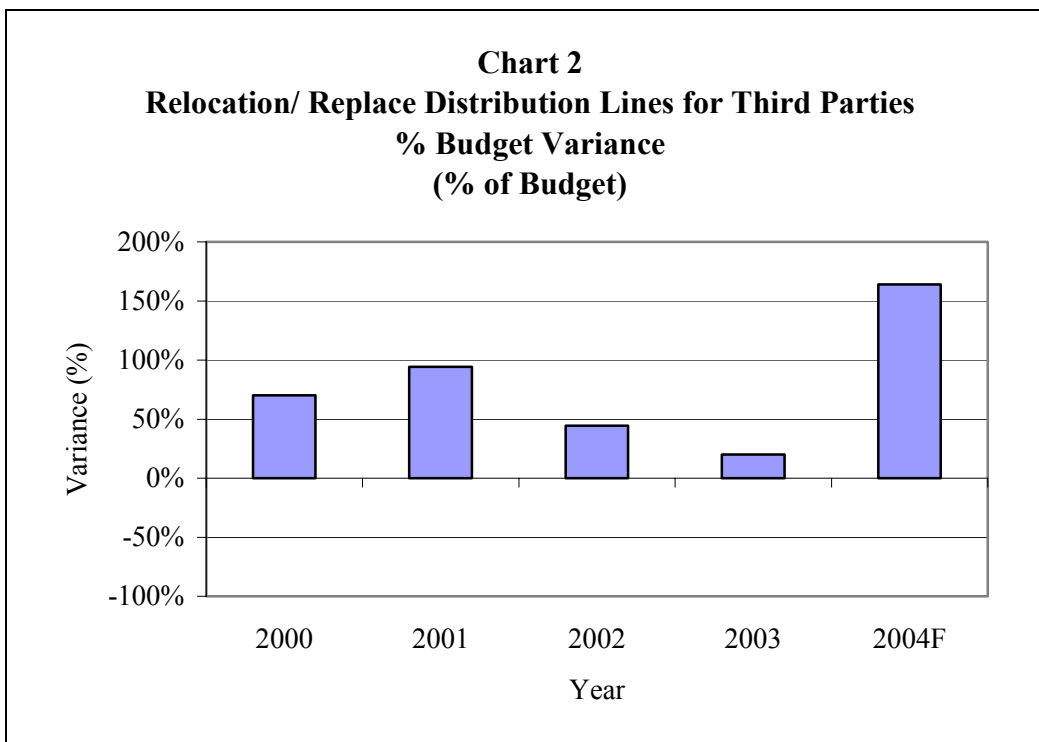
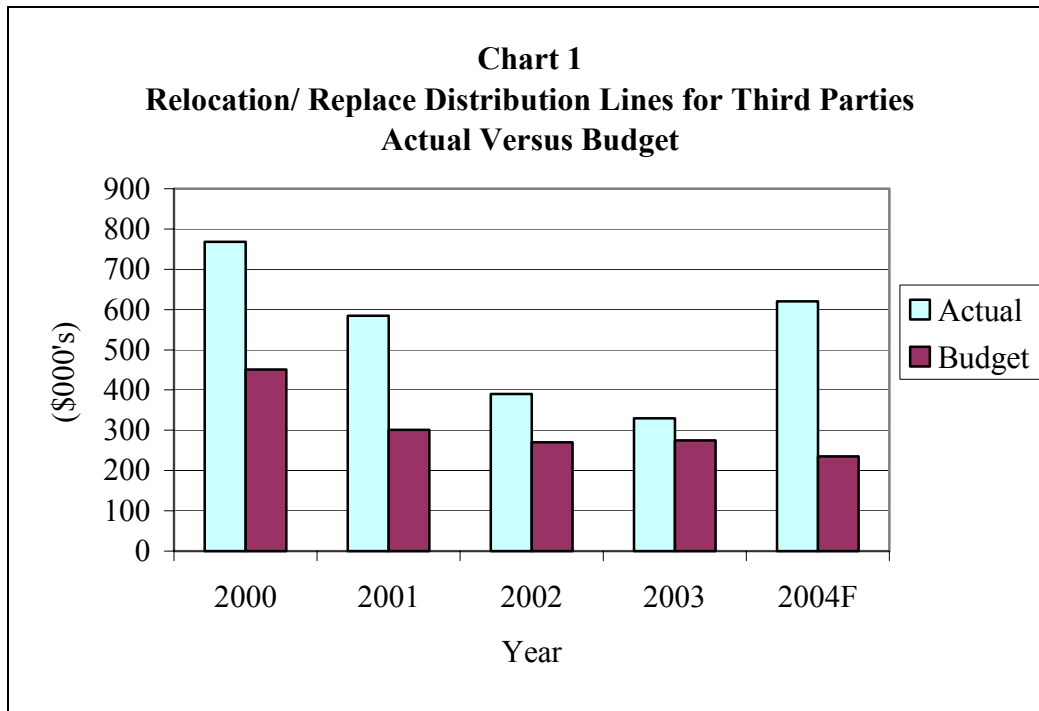
**Please provide a comparison of the budgeted and the actual expenditures for each of the years from 2000 to 2004F inclusive and graph variances. Please show separately the contributions in aid of construction budgeted and received in each year.**

- A. Table 1 provides a comparison of the actual versus budgeted expenditures for the Relocate/ Replace Distribution Lines for Third Parties project for the period 2000 to 2004F inclusive. Chart 1 graphically compares actual versus budget expenditures, while Chart 2 shows annual variances as a percentage of budget.

<b>Table 1</b> <b>Relocate/Replace Distribution Lines for Third Parties</b> <b>Actual Versus Budgeted Expenditure</b> <b>2000 - 2004F</b> <b>(\$000s)</b>			
<b>Year</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
2000	769	451	317
2001	585	301	284
2002	390	270	120
2003	330	275	55
2004F	620	235	385

The variance between actual and budgeted expenditures for Relocate/ Replace Distribution Lines for Third Parties is primarily driven by a combination of two major factors. First, the year over year volume of work requested by third parties is highly variable so historic average is a poor predictor of work requirements. Second, requests from third parties are often made after the budget has been developed and even though the Company may be aware of potential projects, the information available at budget preparation time is inadequate to provide an accurate estimate. An example of the budgeting challenge for this category of expenditures is the relocation of distribution and transmission lines for the interchange connection between Kenmount Road and the Outer Ring Road. The timing and the definition of the scope of the highway work, and subsequently the distribution and transmission line relocation work, has been delayed because of budgeting and design issues between the City of St. John's and the Provincial

Government, making it impossible for Newfoundland Power to determine exactly what work will be required and when.



Newfoundland Power does not track contributions in aid of construction (CIAC) for line relocations or replacements separately from CIACs for line extensions. Table 2 shows the actual versus budgeted CIAC from all sources.

<b>Table 2</b> <b>Contribution In Aid of Construction</b> <b>Actual Versus Budgeted Contributions<sup>1</sup></b> <b>2000 - 2004F</b> <b>(\$000s)</b>		
<b>Year</b>	<b>Actual</b>	<b>Budget<sup>2</sup></b>
2000	1,929	1,500
2001	1,439	1,500
2002	1,135	1,500
2003	1,708	1,500
2004F	1,800	1,500

<sup>1</sup> Actual and Budget CIACs include contributions from all sources such as customers, government and contractors and from all types of projects such as line extensions for new customers and line relocations and replacements for roadwork.

<sup>2</sup> Budgets are based on Historic Experience.