

September 3, 2009

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2

ATTENTION: Ms. Cheryl Blundon
Director Corporate Service & Board Secretary

Dear Ms. Blundon:

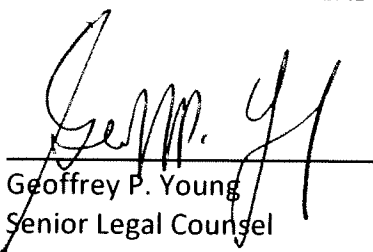
Re: Newfoundland and Labrador Hydro (Hydro) - 2010 Capital Budget Application

Enclosed please find ten copies of Revision 1 to pages A-1, A-2, A-6, of the Total Capital Projects section; B-1, B-52 of the 2010 Capital Projects \$500,000 and Over section; and page 9 of Tab 24 - Corporate Application Upgrade Microsoft Products section of the 2010 Capital Budget Application. The revisions are highlighted for ease of reference.

Should you have any questions on the enclosed, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/mmcd

cc: Peter Alteen/Gerard Hayes - Newfoundland Power
Paul Coxworthy - Stewart McKelvey Stirling Scales
Joseph Hutchings, Q.C. - Poole Althouse
Tom Johnson - Consumer Advocate

| | <u>Expended to 2009</u> | <u>2010 (\$000)</u> | <u>Future Years</u> | <u>Total</u> |
|-----------------------------------|-----------------------------|-------------------------|-------------------------|---------------|
| GENERATION | 1,282 | 18,679 | 8,046 | 28,007 |
| TRANSMISSION AND RURAL OPERATIONS | 1,796 | 24,753 | 23,575 | 50,124 |
| GENERAL PROPERTIES | 976 | 8,343 | 947 | 10,266 |
| CONTINGENCY FUND | | 1,000 | 0 | 1,000 |
| TOTAL CAPITAL BUDGET | <u>4,055</u> | <u>52,775</u> | <u>32,568</u> | <u>89,397</u> |

| | Expended to 2009 | 2010 | Future Years | Total |
|---|-----------------------------|----------------|-------------------------|---------------|
| | | (\$000) | | |
| <u>GENERATION</u> | | | | |
| Hydraulic Plant | 73 | 11,455 | 0 | 11,528 |
| Thermal Plant | 1,210 | 5,352 | 3,057 | 9,618 |
| Gas Turbines | 0 | 1,638 | 4,989 | 6,627 |
| Tools and Equipment | 0 | 234 | 0 | 234 |
| TOTAL GENERATION | 1,282 | 18,679 | 8,046 | 28,007 |
| <u>TRANSMISSION AND RURAL OPERATIONS</u> | | | | |
| Terminal Stations | 636 | 5,554 | 7,892 | 14,081 |
| Transmission | 968 | 5,115 | 1,055 | 7,138 |
| Distribution | 0 | 8,512 | 13,757 | 22,268 |
| Generation | 193 | 2,858 | 871 | 3,922 |
| Properties | 0 | 1,039 | 0 | 1,039 |
| Metering | 0 | 34 | 0 | 34 |
| Tools and Equipment | 0 | 1,642 | 0 | 1,642 |
| TOTAL TRANSMISSION AND RURAL OPERATIONS | 1,796 | 24,753 | 23,575 | 50,124 |
| <u>GENERAL PROPERTIES</u> | | | | |
| Information Systems | 0 | 2,008 | 947 | 2,955 |
| Telecontrol | 209 | 2,969 | 0 | 3,179 |
| Transportation | 0 | 2,156 | 0 | 2,156 |
| Administrative | 767 | 1,210 | 0 | 1,977 |
| TOTAL GENERAL PROPERTIES | 976 | 8,343 | 947 | 10,266 |
| CONTINGENCY FUND | | 1,000 | | 1,000 |
| TOTAL CAPITAL BUDGET | 4,055 | 52,775 | 32,568 | 89,397 |

| PROJECT DESCRIPTION | Expended to 2009 | 2010 | Future Years (\$000) | Total | Page Ref |
|--|-----------------------------|--------------|-------------------------------------|--------------|---------------------|
| <u>INFORMATION SYSTEMS</u> | | | | | |
| <u>SOFTWARE APPLICATIONS</u> | | | | | |
| <u>New Infrastructure</u> | | | | | |
| Perform Minor Application Enhancements - Hydro Place | | 121 | | 121 | D-120 |
| Cost Recoveries | | (36) | | (36) | |
| Work Protection Software Design - Hydro Place | | 71 | | 71 | D-129 |
| Cost Recoveries | | (21) | | (21) | |
| Upgrade Intranet - Hydro Place | | 66 | | 66 | D-132 |
| Cost Recoveries | | (20) | | (20) | |
| <u>Upgrade of Technology</u> | | | | | |
| Corporate Application Environment - Upgrade Microsoft Products | | 751 | 1,353 | 2,105 | B-52 |
| Cost Recoveries | | (225) | (406) | (631) | |
| Upgrade Business Intelligence Toolset Software - Hydro Place | | 84 | | 84 | D-126 |
| Cost Recoveries | | (25) | | (25) | |
| TOTAL SOFTWARE APPLICATIONS | 0 | 765 | 947 | 1,712 | |
| <u>COMPUTER OPERATIONS</u> | | | | | |
| <u>Infrastructure Replacement</u> | | | | | |
| PC Replacement Program - Various Sites | | 407 | | 407 | C-149 |
| Replace Peripheral Infrastructure - Various Sites | | 222 | | 222 | C-166 |
| Upgrade Enterprise Storage Capacity - Hydro Place | | 241 | | 241 | D-103 |
| Cost Recoveries | | (72) | | (72) | |
| <u>New Infrastructure</u> | | | | | |
| Develop Learning Management System Safety Courses - Hydro Place | | 138 | | 138 | D-114 |
| Cost Recoveries | | (41) | | (41) | |
| Smart Card Implementation - Various Sites | | 133 | | 133 | D-116 |
| Cost Recoveries | | (40) | | (40) | |
| Upgrade Security SCADA Intrusion Prevention System - Hydro Place | | 62 | | 62 | D-124 |
| Upgrade Security Vulnerability Management System - Hydro Place | | 81 | | 81 | D-127 |
| Cost Recoveries | | (24) | | (24) | |
| <u>Upgrade of Technology</u> | | | | | |
| Upgrade Server Technology Program - Various Sites | | 197 | | 197 | D-107 |
| Cost Recoveries | | (59) | | (59) | |
| TOTAL COMPUTER OPERATIONS | 0 | 1,243 | 0 | 1,243 | |
| TOTAL INFORMATION SYSTEMS | 0 | 2,008 | 947 | 2,955 | |

| PROJECT DESCRIPTION | Expended to 2009 | 2010 | Future Years | Total | Page Ref |
|---|---------------------|---------------|-----------------|---------------|-------------|
| | | (\$000) | | | |
| GENERATION | | | | | |
| Upgrade Gas Turbine Plant Life Extension - Hardwoods | | 1,305 | 4,690 | 5,995 | B-2 |
| Replace and Purchase Stator Windings - Bay d'Espoir | | 4,687 | | 4,687 | B-4 |
| Replace Programmable Logic Controllers - Holyrood | | 1,208 | 1,649 | 2,857 | B-6 |
| Purchase Spare Stator Winding Units 2 - Bay d'Espoir | 37 | 2,806 | | 2,843 | |
| Refurbish Fuel Storage Facility - Holyrood | | 2,500 | | 2,500 | B-8 |
| Condition Assessment and Life Extension Study - Holyrood | 1,210 | 686 | | 1,895 | |
| Upgrade Plant Access Road - Bay d'Espoir | | 1,550 | | 1,550 | B-10 |
| Replace Pump House Motor Control Centers - Holyrood | | 50 | 999 | 1,049 | B-12 |
| Upgrade Glycol Systems - Stephenville | | 261 | 299 | 560 | B-14 |
| Replace Steam Seal Regulator Unit 1 - Holyrood | | 335 | 214 | 548 | B-16 |
| TOTAL GENERATION | <u>1,246</u> | <u>15,388</u> | <u>7,850</u> | <u>24,484</u> | |
| TRANSMISSION AND RURAL OPERATIONS | | | | | |
| New 25 kV Terminal Station - Labrador City | 283 | 2,700 | 7,007 | 9,990 | |
| Voltage Conversion - Labrador City | | 1,089 | 8,311 | 9,400 | B-18 |
| Upgrade Distribution Systems - All Service Areas | | 2,572 | | 2,572 | B-20 |
| Upgrade Line 2 Distribution Feeder - Glenburnie | | 267 | 3,289 | 3,557 | B-24 |
| Provide Service Extensions - All Service Areas | | 2,428 | | 2,428 | B-26 |
| Perform Wood Pole Line Management Program - Various Sites | | 2,308 | | 2,308 | B-28 |
| Upgrade Transmission Line TL-212 - Sunnyside to Linton Lake | 968 | 964 | | 1,932 | |
| Replace Diesel Units - Norman Bay, Postville and Paradise River | 170 | 1,700 | | 1,870 | |
| Upgrade Distribution Lines - Various Sites | | 218 | 1,645 | 1,863 | B-30 |
| Upgrade Line TL-244 - Plum Point to Bear Cove | | 141 | 1,055 | 1,197 | B-32 |
| Replace Poles - Various Sites | | 1,083 | | 1,083 | B-34 |
| Construct Transmission Line Equipment Off-Loading Areas - Various Sites | | 990 | | 990 | B-36 |
| Increase Generation Capacity - L'Anse au Loup | 23 | 821 | | 844 | |
| Upgrade Power Transformers - Various Sites | | 816 | | 816 | B-38 |
| Replace Off Road Track Vehicles - Whitbourne and Bishop's Falls | | 685 | | 685 | B-40 |
| Replace Diesel Unit 2001 and Engine 566 - Francois | | 168 | 450 | 619 | B-42 |
| Replace Recloser Control Panels - Various Sites | | 603 | | 603 | B-44 |
| Upgrade Line 2 Voltage Conversion to 25 kV - Gaultois | | 82 | 511 | 593 | B-46 |
| Replace Light Duty Mobile Equipment - Various Sites | | 554 | | 554 | B-48 |
| Perform Grounding Upgrades - Various Sites | 252 | 291 | | 543 | |
| TOTAL TRANSMISSION AND RURAL OPERATIONS | <u>1,695</u> | <u>20,479</u> | <u>22,269</u> | <u>44,443</u> | |
| GENERAL PROPERTIES | | | | | |
| Replace Vehicles and Aerial Devices - Various Sites | | 2,156 | | 2,156 | B-49 |
| Upgrade System Security - Various Sites | 767 | 702 | | 1,469 | |
| Replace Stationary Battery Banks and Chargers - Various Sites | | 717 | | 717 | B-50 |
| Install Fibre Optic Cable - Hind's Lake | 209 | 483 | | 692 | |
| Corporate Application Environment - Upgrade Microsoft Products | | 526 | 947 | 1,473 | B-52 |
| TOTAL GENERAL PROPERTIES | <u>976</u> | <u>4,583</u> | <u>947</u> | <u>6,507</u> | |
| TOTAL PROJECTS OVER \$500,000 | <u>3,918</u> | <u>40,450</u> | <u>31,066</u> | <u>75,434</u> | |

Project Title: Corporate Application Environment - Upgrade Microsoft Products
Location: Various Sites
Category: General Properties - Information Systems
Definition: Other
Classification: Normal

Project Description:

This project consists of the purchase of Microsoft software under a Microsoft Enterprise Agreement. Information Technology software must be current and effective and provided in a stable environment to allow efficient functioning of Hydro's core business.

The Microsoft Enterprise Agreement covers the purchase of Microsoft software and provides access to the latest versions of each software product purchased under this agreement.

Through the Microsoft Enterprise Agreement, Hydro achieves an overall cost savings. This is a fixed, annual price agreement based on the number of desktops. Under this agreement, Hydro distributes its purchasing costs for these licenses over three years. The budget estimate for this project is shown in Table 1.

| Table 1: Budget Estimate | | | | |
|----------------------------------|--------------|--------------|---------------|----------------|
| Project Cost: (\$ x1,000) | 2010 | 2011 | Beyond | Total |
| Material Supply | 542.3 | 542.3 | 542.3 | 1,626.9 |
| Labour | 120.0 | 40.2 | 30.2 | 190.4 |
| Consultant | 0.0 | 0.0 | 0.0 | 0.0 |
| Contract Work | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Direct Costs | 0.0 | 0.0 | 0.0 | 0.0 |
| O/H, AFUDC & Escln. | 22.9 | 34.3 | 48.3 | 105.5 |
| Contingency | 66.2 | 58.3 | 57.3 | 181.8 |
| Sub-Total | 751.4 | 675.1 | 678.1 | 2,104.6 |
| Cost Recoveries | (225.4) | (202.5) | (203.4) | (631.4) |
| TOTAL | 526.0 | 472.6 | 474.7 | 1,473.2 |

Operating Experience:

Hydro's Information Technology software is not current and needs to be updated in order to maintain a high level of system functionality.

5 CONCLUSION

The Microsoft suite of products must be kept up to date with current software releases and to take advantage of new system functions. Software must be upgraded to improve software compatibility and to improve ease of applications for all users across the company.

5.1 Budget Estimate

The budget for this project is to be split into three equal payments over the three years of the Enterprise Agreement. The budget estimate is shown in Table 2.

Table 2
Budget Estimate

| Project Cost: (\$ x1,000) | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>BEYOND</u> | <u>TOTAL</u> |
|----------------------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|
| Material Supply | 542.3 | 542.3 | 542.3 | 0.0 | 1,626.9 |
| Labour | 120.0 | 40.2 | 30.2 | 0.0 | 190.4 |
| Consultant | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contract Work | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Direct Costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| O/H, AFUDC & Escln. | 22.9 | 34.3 | 48.3 | 0.0 | 105.5 |
| Contingency | <u>66.2</u> | <u>58.3</u> | <u>57.3</u> | <u>0.0</u> | <u>181.8</u> |
| Sub Total | 751.4 | 675.1 | 678.1 | 0.0 | 2,104.6 |
| Cost Recovery | <u>(225.4)</u> | <u>(202.5)</u> | <u>(203.4)</u> | <u>(0.0)</u> | <u>(631.4)</u> |
| TOTAL | <u>526.0</u> | <u>472.6</u> | <u>474.7</u> | <u>0.0</u> | <u>1,473.2</u> |

5.2 Project Schedule

This project is expected to start in January 2010 with the purchase of the Enterprise Agreement. Under this agreement, Hydro distributes its purchasing costs for these licenses over three years 2010, 2011, 2012.