

1 Q. In the five-year plan of Hydro's 2012 Capital Budget, Hydro forecast the 2013  
2 Capital Budget to be \$121,369,000, while the current 2013 Capital Budget  
3 Application requests approval of \$66,144,800. Please provide a reconciliation of  
4 these two forecasts including an explanation of why the priority of each delayed or  
5 accelerated project has changed.

6

- 7 A. In general terms, the primary drivers of the changes are as follows:
- 8 • Project scope and schedule optimization resulting from analysis of updated
  - 9 asset condition data and refinements in system growth requirements; and
  - 10 • Further refinement of cost forecasts as project definition increases.

11

12 Please see PUB-NLH-5 Attachment 1 which compares the 2013 estimates as  
13 submitted for the 2013 Capital Budget application with the 2013 estimates from the  
14 five year plan provided with the 2012 Capital Budget application. Below is an  
15 explanation of main differences where the variances were greater than \$1 million  
16 by category.

17

18 Hydraulic Plant

19 The increase in this category is due mainly to a \$1 million increase to replace static  
20 excitation system. The overall project cost remains unchanged; however, there has  
21 been a shift of expenditures driven by a reschedule of work to address recent  
22 operational failures. The overhaul of the turbine/generator units for Bay d'Espoir  
23 for \$0.4 million was not previously included in estimates for 2013 as submitted in  
24 the 2012 Capital Budget application.

1        Thermal Plant

2        The decrease in the budgeted amount for Holyrood is due to projects moving to  
3        later years, or removal from the five year plan window. These include the  
4        refurbishment of the fuel storage facility (\$3 million), the installation of the plant  
5        operator training simulator (\$1 million), the shifting of the variable speed drives  
6        from one year to a two year project (\$1.2 million) and the moving of facility  
7        upgrade projects to later years (\$3.5 million). The fuel storage facility  
8        refurbishment project is deferred one year based upon a review of asset condition  
9        and risk. The training simulator was not approved by the Board in 2012; hence the  
10       2013 component of this project was subsequently removed. The variable speed  
11       drives project was split into two years from one to accommodate refinements in  
12       project lead times and schedule constraints. Facility upgrades were deferred as a  
13       result of updated asset condition information.

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15       Gas Turbines

16       Because the Stephenville Gas Turbine had a failure, the planned work for 2013 has  
17       been moved to 2012 (\$1.4 million). The Holyrood Gas Turbine is not presently  
18       operational, therefore projects related to it are also omitted (\$1 million). The  
19       upgrade to the Gas Turbine programmable logic controllers for Happy Valley has  
20       been switched from a one year to a two year project (\$1.7 million) to account for  
21       lead times within the project.

22

23       Terminal Stations

24       The 2013 Capital Budget application does not include the additional transformer for  
25       Oxen Pond (\$3.4 million). This project is under review at present. The installation of  
26       the 20 MVAR reactor for Bottom Brook has been moved to 2014 (\$1 million). This  
27       project has been deferred pending a decision on the addition of the Maritime-Island

1 HVdc Transmission Link to Nova Scotia which would subsequently make this reactor  
2 unnecessary.

3

4 Transmission

5 The upgrade of the transmission line corridor from Bay d’Espoir to Western Avalon  
6 has been shifted from 2012 to 2014 (\$30.1 million). Projects to upgrade access trails  
7 and install transmission offloading ramps have been removed (\$1.2 million). The  
8 wood pole line management program is less than budgeted in the 2012 Capital  
9 Budget application (\$1.2 million) due to an increase in pole survival rates resulting  
10 from the program. The upgrade of angle structures on line TL-259 has been moved  
11 to 2014 (\$0.7 million) to allow time to perform additional condition inspection and  
12 further refine the scope of work.

13

14 Properties

15 A project to replace the warehouse in Bay d’Espoir has been moved from 2013 to  
16 2017 (\$1.1 million) based on an updated asset condition assessment and pending  
17 the outcome of an overall site facilities needs assessment.

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19 Transportation

20 The budget for replacing vehicles and aerial devices has been reduced (\$1.6 million)  
21 due to reduced unit pricing of vehicles in the marketplace.

22

23 Administration

24 The budget for upgrading the systems and exterior of Hydro place has been moved  
25 to 2015 and 2016 (\$1.9 million) as a result of updated asset condition information.

*Capital Budget: Summary by Category*

	2013 from 2013 Capital Budget <u>Application</u>	2013 from 2012 Capital Budget <u>Application<sup>1</sup></u>	<u>Variance</u>
<b><u>GENERATION</u></b>			
Hydraulic Plant	12,903.0	11,423.7	1,479.3
Thermal Plant	9,831.2	18,445.3	(8,614.1)
Gas Turbines	61.4	4,344.3	(4,282.9)
Tools and Equipment	93.3	163.9	(70.6)
<b>TOTAL GENERATION</b>	<u>22,888.9</u>	<u>34,377.2</u>	<u>(11,488.3)</u>
<b><u>TRANSMISSION AND RURAL OPERATIONS</u></b>			
Terminal Stations	8,164.4	12,695.4	(4,531.0)
Transmission	2,816.8	36,498.0	(33,681.2)
Distribution	15,737.1	14,947.1	790.0
Generation	3,409.0	4,252.0	(843.0)
Properties	1,033.6	2,340.2	(1,306.6)
Metering	1,077.6	962.1	115.5
Tools and Equipment	1,814.2	2,692.0	(877.8)
<b>TOTAL TRANSMISSION AND RURAL OPERATIONS</b>	<u>34,052.7</u>	<u>74,386.8</u>	<u>(40,334.1)</u>
<b><u>GENERAL PROPERTIES</u></b>			
Information Systems	2,799.4	2,922.1	(122.7)
Telecontrol	2,070.2	1,987.6	82.6
Transportation	2,521.1	4,116.0	(1,594.9)
Administrative	812.5	2,580.1	(1,767.6)
<b>TOTAL GENERAL PROPERTIES</b>	<u>8,203.2</u>	<u>11,605.8</u>	<u>(3,402.6)</u>
<b>ALLOWANCE FOR UNFORESEEN EVENTS</b>	<u>1,000.0</u>	<u>1,000.0</u>	<u>0.0</u>
<b>TOTAL CAPITAL BUDGET</b>	<u>66,144.8</u>	<u>121,369.8</u>	<u>(55,225.0)</u>

<sup>1</sup> Major Overhauls and inspections have been incorporated into their applicable category. They were separately identified in the 2012 Capital Budget Application.