

1 Q. Please provide a detailed calculation and explanation of the \$2,600,000 that has
2 been identified as the Allowance for Funds Used During Construction that will not
3 be capitalized in 2012 as a result of the implementation of IFRS.

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6 A. The \$2.6 million has now been revised to \$2.2 million to reflect a more detailed
7 review. The related amendment to the CBA was filed on September 15, 2011. It is
8 generally calculated on each project based on the prior month's accumulated cash
9 flows plus current month cash flows. Certain current month costs are not included
10 in the current month calculation as they are calculated at month end. The AFUDC
11 rate is based upon the 2007 approved Test Year Weighted Average Cost of Capital.
12 Projects that are built over a significant period of time incur an AFUDC cost. Direct
13 purchases do not incur such a charge. The total estimated 2012 AFUDC cost
14 estimate by project is listed in the following table.

15

16 Page 5 of 5 illustrates the detailed calculation of AFUDC. Due to the number of
17 projects, detailed calculation for all projects was not available to file with this
18 response.

| | Expended | Capital | AFUDC | IDC |
|---|----------|---------|-------|-------|
| | to 2011 | Cost | 2012 | 2012 |
| | (\$000) | | | |
| 3 PROJECT DESCRIPTION | | | | |
| 6 GENERATION | | | | |
| 7 Rewind Stators Units 1, 3 and 4 - Bay d'Espoir | | 4,954 | 159 | 173 |
| 8 Replace Static Excitation Systems - Upper Salmon, | | | | |
| 9 Holyrood and Hinds Lake | 487 | 2,403 | 71 | 77 |
| 10 Upgrade Burnt Dam Spillway - Bay d'Espoir | | 1,703 | 45 | 49 |
| 11 Replace Emergency Diesel Generator - Bay d'Espoir | | 611 | 16 | 17 |
| 12 Upgrade Intake Gate Controls - Bay d'Espoir | 352 | 468 | 41 | 45 |
| 13 Upgrade Generating Station Service Water System - Cat Arm | 360 | 440 | 35 | 38 |
| 14 Replace Fuel Tank - Burnt Dam | | 208 | 2 | 2 |
| 15 Replace Rip Rap - Bay d'Espoir | | 199 | 1 | 1 |
| 16 Upgrade Public Safety Around Dams and Waterways - Bay d'Espoir | | 48 | 1 | 1 |
| 17 Rewind Generator Units 1 and 2 - Holyrood | | 112 | 4 | 4 |
| 18 Upgrade Marine Terminal - Holyrood | | 5,860 | 112 | 122 |
| 19 Replace Programmable Logic Controllers - Holyrood | 2,230 | 902 | 25 | 27 |
| 20 Replace Fuel Oil Heat Tracing - Holyrood | | 1,474 | 40 | 43 |
| 21 Install Plant Operator Training Simulator - Holyrood | | 1,028 | 41 | 44 |
| 22 Upgrade Hydrogen System - Holyrood | 1,192 | 800 | 108 | 117 |
| 23 Upgrade Stack Breaching Unit 2 - Holyrood | | 1,505 | 28 | 30 |
| 24 Upgrade Forced Draft Fan Ductwork Unit 2 - Holyrood | | 929 | 30 | 33 |
| 25 Upgrade Synchronous Condenser Unit 3 - Holyrood | 484 | 406 | 51 | 55 |
| 26 Replace Relay Panels Unit 3 - Holyrood | 277 | 554 | 35 | 38 |
| 27 Upgrade Electrical Equipment - Holyrood | 188 | 206 | 18 | 20 |
| 28 Replace Steam Seal Regulator Unit 2 - Holyrood | 175 | 438 | 27 | 30 |
| 29 Replace Beta Attenuation Monitoring Analyzers - Holyrood | | 161 | 2 | 2 |
| 30 Upgrade Gas Turbine Plant Life Extension - Hardwoods | 2,629 | 3,367 | 31 | 34 |
| 31 Purchase Tools and Equipment Less than \$50,000 | | 196 | | |
| 33 TOTAL GENERATION | 8,374 | 28,971 | 921 | 1,003 |

| | Expended to 2011 | Capital Cost 2012 | AFUDC 2012 | IDC 2012 |
|---|---------------------|-------------------------|---------------|--------------|
| PROJECT DESCRIPTION | | | | |
| | | (\$000) | | |
| Install Additional 230kV Transformer - Oxen Pond | | 3,535 | 108 | 117 |
| Upgrade Terminal Stations to 25 kV - Labrador City | 6,483 | 3,507 | 77 | 84 |
| Upgrade Circuit Breakers - Various Sites | | 1,677 | 80 | 88 |
| Perform Grounding Upgrades - Various Sites | 321 | 324 | 8 | 9 |
| Upgrade Power Transformers - Various Sites | | 1,246 | 33 | 36 |
| Upgrade Substation - Wabush | 459 | 626 | 39 | 43 |
| Upgrade Station Reliability and Safety - Rocky Harbour | 435 | 360 | 43 | 47 |
| Replace 69 kV SF6 Breakers - St. Anthony Airport | 490 | 290 | 33 | 36 |
| Replace Compressed Air System - Bay d'Espoir | 84 | 564 | 8 | 9 |
| Replace 230 kV Circuit Breaker - Sunnyside | 41 | 590 | 19 | 21 |
| Replace Instrument Transformers - Various Sites | | 452 | 11 | 11 |
| Replace Insulators - Various Sites | | 412 | 9 | 9 |
| Replace Disconnects - Various Sites | | 352 | 7 | 8 |
| Replace Compressed Air Piping and Install Dew Point Monitor - Buchans | | 28 | 2 | 2 |
| Install Alternate Station Services - Stony Brook and Massey Drive | 86 | 109 | 9 | 10 |
| Replace Surge Arrestors - Various Sites | | 76 | 2 | 2 |
| Upgrade Transmission Line Corridor - Bay d'Espoir to Western Avalon | | 2,632 | 86 | 94 |
| Perform Wood Pole Line Management Program - Various Sites | | 2,519 | 63 | 68 |
| Replace Guy Wires TL-215 - Doyles to Grand Bay | 289 | 318 | 31 | 33 |
| Upgrade Transmission Line Access Trails - Stony Brook to Springdale | | 313 | 7 | 7 |
| Install Ice Monitoring Equipment - Various Sites | | 47 | 2 | 2 |
| Voltage Conversion - Labrador City | 4,590 | 3,841 | 9 | 9 |
| Provide Service Extensions - All Service Areas | | 4,172 | | |
| Upgrade L2 Distribution Feeder - Glenburnie | 845 | 2,115 | 127 | 138 |
| Upgrade Distribution Systems - All Service Areas | | 2,508 | | |
| Distribution System Additions - Various Sites | | 2,172 | 59 | 64 |
| Upgrade Distribution Lines - Bay d'Espoir, Parsons Pond and Plum Point | | 1,385 | 43 | 47 |
| Upgrade Distribution Systems - Francois, Rigolet and Happy Valley | 73 | 652 | 23 | 25 |
| Replace Substation Infrastructure - Burgeo | 128 | 368 | 20 | 22 |
| Replace Recloser Control Panels - Various Sites | | 202 | 6 | 7 |
| Perform Arc Flash Remediation - Various Sites | 430 | 380 | 11 | 12 |
| Increase Generation Capacity - Mary's Harbour | | 1,489 | 33 | 36 |
| Replace Fuel Storage Tanks - St. Lewis | | 465 | 10 | 11 |
| Replace Mini Hydro Turbine - Roddicton | 87 | 235 | 10 | 11 |
| Perform Front End Engineering Design for Diesel Plant Remediation -Various Sites | | 110 | 3 | 3 |
| Install Fall Protection Equipment - Various Sites | | 199 | 5 | 6 |
| Legal Survey of Primary Distribution Line Right of Way - Various Sites | | 198 | 6 | 6 |
| Upgrade Mechanical Workshop - St. Anthony | | 87 | 1 | 1 |
| Install Waste Oil Storage Tank - L'Anse au Loup | | 82 | 2 | 2 |
| Install Automated Meter Reading - Rocky Harbour and Glenburnie | | 380 | 5 | 6 |
| Install Automated Meter Reading - Labrador City | 292 | 58 | 11 | 12 |
| Purchase Meters, Equipment and Metering Tanks - Various Sites | | 190 | 7 | 8 |
| Replace Off-Road Track Vehicles - Bishop's Falls and Fogo | 494 | 609 | | |
| Replace Off Road Track Vehicles - Flower's Cove and Cow Head | | 483 | | |
| Purchase Tools and Equipment Less than \$50,000 | | 406 | | |
| Replace Light Duty Mobile Equipment - Various Sites | | 401 | | |
| Replace Excavator - L'Anse au Loup | | 120 | | |
| TOTAL TRANSMISSION AND RURAL OPERATIONS | 15,627 | 43,287 | 1,064 | 1,158 |

NLH 2012 Capital Budget Application

| | Expended to 2011 | Capital Cost 2012 (\$000) | AFUDC 2012 | IDC 2012 |
|---|---------------------|------------------------------------|---------------|--------------|
| PROJECT DESCRIPTION | | | | |
| <u>INFORMATION SYSTEMS</u> | | | | |
| Perform Minor Application Enhancements - Hydro Place | | 123 | | |
| Cost Recoveries | | (42) | | |
| Implement Work Protection Safety Code Application - Hydro Place | | 116 | | |
| Corporate Application Environment - Upgrade Microsoft Products | 1,426 | 678 | | |
| Cost Recoveries | (428) | (203) | | |
| Upgrade JD Edwards - Hydro Place | | 284 | | |
| Cost Recoveries | | (97) | | |
| Upgrade Energy Management System - Hydro Place | | 118 | | |
| Upgrade Microsoft Project - Hydro Place | | 91 | | |
| Cost Recoveries | | (31) | | |
| Upgrade Creditron System - Hydro Place | | 38 | | |
| Replace Personal Computers - Various Sites | | 491 | | |
| Replace Peripheral Infrastructure - Various Sites | | 328 | | |
| Upgrade Enterprise Storage Capacity - Hydro Place | | 306 | | |
| Cost Recoveries | | (104) | | |
| Upgrade Server Technology Program - Hydro Place | | 203 | | |
| Cost Recoveries | | (31) | | |
| Upgrade Computer Room - Hydro Place | | 122 | | |
| Cost Recoveries | | (42) | | |
| TOTAL INFORMATION SYSTEMS | 999 | 2,347 | 0 | 0 |
| <u>TELECONTROL</u> | | | | |
| Replace MDR 6000 Microwave Radio (West) - Various Sites | 72 | 683 | 18 | 20 |
| Replace Radomes - Various Sites | | 172 | 4 | 5 |
| Upgrade Communication Services - Paradise River | | 98 | 2 | 2 |
| Purchase Tools and Equipment Less than \$50,000 | | 85 | | |
| Replace Battery Banks and Chargers - Various Sites | | 881 | 21 | 23 |
| Replace Network Communications Equipment - Various Sites | | 522 | 12 | 13 |
| Replace Telephone Systems - Port Saunders and Whitbourne | | 199 | 7 | 7 |
| Upgrade Site Facilities - Various Sites | | 47 | 2 | 3 |
| TOTAL TELECONTROL | 72 | 2,686 | 67 | 73 |
| <u>TRANSPORTATION</u> | | | | |
| Replace Vehicles and Aerial Devices (2011-2012) - Various Sites | 2,351 | 639 | | |
| Replace Vehicles and Aerial Devices (2012-2013) - Various Sites | | 1,711 | | |
| TOTAL TRANSPORTATION | 2,351 | 2,350 | 0 | 0 |
| <u>ADMINISTRATION</u> | | | | |
| Remove Safety Hazards - Various Sites | | 249 | 6 | 6 |
| Purchase Tools and Equipment Less than \$50,000 | | 132 | | |
| TOTAL ADMINISTRATION | 0 | 381 | 6 | 6 |
| TOTAL GENERAL PROPERTIES | 3,421 | 7,765 | 72 | 79 |
| <u>MAJOR OVERHAULS AND INSPECTIONS</u> | | | | |
| Overhaul Unit 1 Turbine - Holyrood | | 4,193 | 59 | 64 |
| Condition Assessment and Life Extension Phase 2 - Holyrood | | 1,216 | 30 | 33 |
| Overhaul Diesel Units - Various Sites | | 974 | 35 | 38 |
| Overhaul Turbine/Generator Units - Granite Canal and Upper Salmon | | 457 | 5 | 6 |
| TOTAL MAJOR OVERHAULS AND INSPECTIONS | 0 | 6,840 | 129 | 141 |
| TOTAL CAPITAL BUDGET¹ | 27,422 | 86,862 | 2,186 | 2,381 |

¹ Excludes \$1 million Contingency Fund

Newfoundland and Labrador Hydro
 2012 Capital Budget Application
 Calculation of AFUDC
 Upgrade Burnt Dam Spillway Proposal

| | A | B | C | E | F |
|---------------------------|---|--|--|---|----------------------------------|
| | Forecast Monthly Cash Flow Expenditures (\$000) | Forecast Accumulated Cash Flow Expenditures on which AFUDC is calculated (Note 1) (\$000) | AFUDC (.61% * Col E) (Note 2) (\$000) | Forecast Accumulated Cash Flow Expenditures including AFUDC (Col B + Col C) (\$000) | Total Project Cost (\$000) |
| 2012 Jan | 6.2 | 6.2 | - | 6.2 | 6.2 |
| Feb | 12.5 | 12.5 | 0.1 | 18.8 | 18.8 |
| Mar | 12.6 | 25.1 | 0.2 | 31.6 | 31.6 |
| Apr | 150.3 | 106.8 | 0.6 | 182.5 | 182.5 |
| May | 166.9 | 266.0 | 1.6 | 351.0 | 351.0 |
| Jun | 192.5 | 447.3 | 2.7 | 546.2 | 546.2 |
| Jul | 197.1 | 644.8 | 3.9 | 747.2 | 747.2 |
| Aug | 197.9 | 846.2 | 5.1 | 950.2 | 950.2 |
| Sep | 200.2 | 1,050.3 | 6.4 | 1,156.8 | 1,156.8 |
| Oct | 163.5 | 1,238.6 | 7.5 | 1,327.8 | 1,327.8 |
| Nov | 114.7 | 1,385.2 | 8.4 | 1,450.9 | 1,450.9 |
| Dec | 6.4 | 1,454.1 | 8.8 | 1,466.1 | 1,466.1 |
| Total | 1,420.8 | | 45.3 | | 1,466.1 |
| December Consulting | | | | | 78.4 |
| December Escalation | | | | | 7.5 |
| December Contingency | | | | | 146.9 |
| Total Annual Expenditures | | | | | <u>1,698.90</u> |

Note 1: Calculated as the prior month total accumulated expenditures (Col E) plus one-half the current month expenditures (Col A)

Note 2: AFUDC Rate of 7.53%, .61% compounded monthly, result rounded to one decimal place 0.61%