



A Submission to the Minister of Mines and Energy

2001 Operating and Capital Budgets

**NEWFOUNDLAND AND LABRADOR HYDRO
2001 OPERATING AND CAPITAL BUDGET**

**FOR PRESENTATION TO
THE BOARD OF DIRECTORS
OCTOBER 31, 2000**

NEWFOUNDLAND AND LABRADOR HYDRO

NET OPERATING EXPENSES

(\$ Thousands)

Expense Group	1999 Actual	2000 Budget	2000 Forecast	2001 Budget	Increase (Decrease)
Salaries & Fringe Benefits	48,954	52,168	53,396 ⁽¹⁾	53,612 ⁽¹⁾	216
Materials Maintenance	19,775	17,022	19,679	16,555	(3,124)
Office Supplies & Expenses	1,778	1,844	1,882	1,943	61
Professional Services	3,756	4,018	4,115	4,506	391
Insurance	1,068	1,124	979	849	(130)
Equipment Rentals	1,603	1,373	1,395	1,488	93
Travel	2,351	2,037	2,115	2,290	175
Miscellaneous	4,340	4,319	4,259	4,295	36
Property Rentals	233	307	478	766	288
Transportation	2,152	2,214	2,010	2,174	164
Bad Debt Expenses	495	333	333	475	142
	<u>86,505</u>	<u>86,759</u>	<u>90,641</u>	<u>88,953</u>	<u>(1,688)</u>
Allocations					
CF(L)Co Recoveries	<u>(2,158)</u>	<u>(2,300)</u>	<u>(1,947)</u>	<u>(1,942)</u>	<u>5</u>
Net Operating Expenses	<u><u>84,347</u></u>	<u><u>84,459</u></u>	<u><u>88,694</u></u>	<u><u>87,011</u></u>	<u><u>(1,683)</u></u>

An analysis of the individual expense groups is outlined in various tables on the following pages.

⁽¹⁾ Includes \$2.2 million for Employee Future Benefits.

EMPLOYEE FUTURE BENEFITS (cont'd.)

other employee future benefits, whereby the expected costs of providing these benefits is charged to Operations as employees render service. The entitlement to benefits that employees have earned as of January 1, 2000 (\$19 million) that arose on conversion to accrual accounting has been charged to Retained Earnings. The cost of employee future benefits recognized in the Statement of Income has been actuarially determined and reflects the entitlement to benefits that employees will earn each year plus annual interest costs on the accrued benefit obligation.

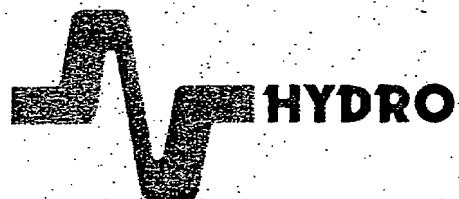
SYSTEM EQUIPMENT MAINTENANCE

This group of expenses is budgeted at \$16,555,000 in 2001 which is a decrease of \$3,124,000 from 2000 mainly due to lower costs associated with maintaining the Gas Turbines, since major repairs were incurred on these facilities in 2000.

SYSTEM EQUIPMENT MAINTENANCE SUMMARY

(\$ Thousands)

	<u>1999 Actual</u>	<u>2000 Budget</u>	<u>2000 Forecast</u>	<u>2001 Budget</u>	<u>Increase (Decrease)</u>
Maintenance Materials	18,868	15,788	18,388	15,231	(3,157)
Tools & Operating Supplies	417	465	535	496	(39)
Freight Expense	273	204	204	206	2
Lubricants and Chemicals	217	565	552	622	70
Total	<u>19,775</u>	<u>17,022</u>	<u>19,679</u>	<u>16,555</u>	<u>(3,124)</u>



A Submission to the Minister of Mines and Energy

2000 Operating and Capital Budgets

NEWFOUNDLAND AND LABRADOR HYDRO

**NEWFOUNDLAND AND LABRADOR HYDRO
2000 OPERATING AND CAPITAL BUDGET**

**FOR PRESENTATION TO
THE BOARD OF DIRECTORS
OCTOBER 29, 1999**

NEWFOUNDLAND AND LABRADOR HYDRO

NET OPERATING EXPENSES

(\$ Thousands)

Expense Group	1998 <u>Actual</u>	1999 <u>Budget</u>	1999 <u>Forecast</u>	2000 <u>Budget</u>	Increase <u>(Decrease)</u>
Salaries & Fringe Benefits	46,765	50,606	50,114	52,168	2,054
System Equipment Maintenance	11,325	14,101	14,458	12,298	(2,160)
Office Supplies & Expenses	2,715	3,029	3,026	2,983	(43)
Professional Services	3,398	3,175	3,524	4,018	494
Insurance	1,056	1,130	1,128	1,124	(4)
Equipment Rentals	2,001	1,770	1,770	1,373	(397)
Travel	2,121	2,107	2,099	2,037	(62)
Miscellaneous	5,927	4,378	4,403	4,319	(84)
Bldg. Rentals & Maintenance	3,226	2,439	2,679	2,776	97
Transportation	3,261	3,255	3,254	3,330	76
Bad Debt Expenses	333	270	270	333	63
Loss on Disposal of Fixed Assets	<u>1,137</u>	<u>1,396</u>	<u>1,535</u>	<u>884</u>	<u>(651)</u>
	83,264	87,656	88,260	87,643	(617)
Allocations					
CF(L)Co Recoveries	<u>2,306</u>	<u>2,300</u>	<u>2,234</u>	<u>2,300</u>	<u>66</u>
Net Operating Expenses	<u>80,958</u>	<u>85,356</u>	<u>86,026</u>	<u>85,343</u>	<u>(683)</u>

An analysis of the individual expense groups is outlined in various tables on the following pages.

EMPLOYEE FUTURE BENEFITS (cont'd.)

be accounted for on an accrual basis. Accordingly, the benefits provided by the Company should be recognized as costs in the period in which the company is receiving the benefit of the employee's services. The components of the employee plan expense to be recognized in the statement of income are the current and past service costs and the amortization of actuarial gains and losses. The standard can be applied prospectively or retroactively and will require significant more disclosure in the annual financial statements.

We have presently engaged an actuarial consultant to assist us in this matter and the results of their work will not be finalized until December. Consequently, no provision has been included in the 2000 Budget for the adoption of this new accounting standard.

SYSTEM EQUIPMENT MAINTENANCE

This group of expenses is budgeted at \$12,298,000 in 2000 which is a decrease of \$2,160,000 from 1999 mainly due to lower costs associated with maintaining the Holyrood Thermal Plant and the Cat Arm Hydro Plant, since major repairs were incurred on these two facilities in 1999.

SYSTEM EQUIPMENT MAINTENANCE SUMMARY

(\$ Thousands)

	<u>1998 Actual</u>	<u>1999 Budget</u>	<u>1999 Forecast</u>	<u>2000 Budget</u>	<u>Increase (Decrease)</u>
System Equip. Mtnc.	10,361	12,887	13,244	11,064	(2,180)
Tools & Equipment	320	461	461	465	4
Freight Expense	313	204	204	204	-
Lubricants, Gases & Chemic	<u>331</u>	<u>549</u>	<u>549</u>	<u>565</u>	<u>16</u>
Total	<u>11,325</u>	<u>14,101</u>	<u>14,458</u>	<u>12,298</u>	<u>(2,160)</u>

A Submission to the Minister of Mines and Energy

1999 Operating and Capital Budgets

NEWFOUNDLAND AND LABRADOR HYDRO
NET OPERATING EXPENSES
(\$ Thousands)

Expense Group	1997 <u>Actual</u>	1998 <u>Budget</u>	1998 <u>Forecast</u>	1999 <u>Budget</u>	Increase <u>(Decrease)</u>
Salaries & Fringe Benefits	45,489	48,900	47,426	50,606	3,180
System Equipment Maintenance	11,511	10,861	10,999	14,101	3,102
Office Supplies & Expenses	2,716	3,082	3,096	3,029	(67)
Professional Services	2,883	3,124	3,588	3,175	(413)
Insurance	1,223	1,078	1,078	1,130	52
Equipment Rentals	1,530	2,080	2,077	1,770	(307)
Travel	1,911	1,997	2,037	2,107	70
Miscellaneous	3,752	4,230	6,303	4,378	(1,925)
Bldg. Rentals & Maintenance	2,210	2,768	3,391	2,439	(952)
Transportation	2,793	3,599	3,599	3,255	(344)
Bad Debt Expenses	298	385	385	270	(115)
Loss on Disposal of Fixed Assets	691	568	1,354	1,396	42
Amortization - Studies & Software	<u>806</u>	<u>1,766</u>	<u>933</u>	<u>1,908</u>	<u>975</u>
	77,813	84,438	86,266	89,564	3,298
Allocations					
CF(L)Co Recoveries	<u>2,413</u>	<u>2,500</u>	<u>2,372</u>	<u>2,300</u>	<u>72</u>
Net Operating Expenses	<u>75,400</u>	<u>81,938</u>	<u>83,894</u>	<u>87,264</u>	<u>3,370</u>

An analysis of the individual expense groups is outlined in various tables on the following pages.

SYSTEM EQUIPMENT MAINTENANCE

This group of expenses is budgeted at \$14,101,000 in 1999 which is an increase of \$3,102,000 from 1998 mainly due to higher costs associated with maintaining the Holyrood Thermal Plant and the Cat Arm Hydro Plant.

SYSTEM EQUIPMENT MAINTENANCE SUMMARY

(\$ Thousands)

	<u>1997 Actual</u>	<u>1998 Budget</u>	<u>1998 Forecast</u>	<u>1999 Budget</u>	<u>Increase (Decrease)</u>
System Equip. Mtnce.	10,349	9,547	9,681	12,887	3,206
Tools & Equipment	402	459	463	461	(2)
Freight Expense	322	299	299	204	(95)
Lubricants, Gases & Chemic	<u>438</u>	<u>556</u>	<u>556</u>	<u>549</u>	<u>(7)</u>
Total	<u>11,511</u>	<u>10,861</u>	<u>10,999</u>	<u>14,101</u>	<u>3,102</u>