

**IN THE MATTER OF** the *Public Utilities Act*, (the "Act"); and

**IN THE MATTER OF** capital expenditures and rate base of Newfoundland Power Inc.; and

**IN THE MATTER OF** an application by Newfoundland Power Inc. for an order pursuant to Sections 41 and 78 of the Act:

- (a) approving its 2004 Capital Budget of \$53,909,000; and
- (b) fixing and determining its average rate base for 2002 in the amount of \$573,337,000.

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**2003 Capital Expenditure Status Report  
(1<sup>st</sup> Revision)  
July 29, 2003**

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NEWFOUNDLAND POWER INC.

2004 CAPITAL BUDGET  
APPLICATION

2003 Capital Expenditure  
Status Report  
(1<sup>st</sup> Revision)

**Explanatory Note**

This report is presented in compliance with the directive of the Board of Commissioners of Public Utilities contained in paragraph 6 of Order No. P.U. 36 (2002-2003).

Variances of more than 10% of approved expenditure or \$50,000 or greater are explained in the Notes contained in Appendix A, which immediately follows the blue page at the conclusion of the 2003 Capital Expenditure Status Report.

**Newfoundland Power Inc.  
2004 Capital Budget**

**2003 Capital Budget Variances  
(000s)**

**Approved by Order Nos.  
P.U. 36 (2002-2003),  
P.U. 19 (2003) and  
P.U. 26 (2003)**

		<b>Forecast</b>	<b>Variance</b>
Energy Supply	\$7,076	\$7,429 <sup>(1)</sup>	353
Substations	6,158	5,820	(338)
Transmission	4,129	4,291 <sup>(2)</sup>	162
Distribution	26,582	27,614	1,032
General Property	910	1,047	137
Transportation	2,141	2,328	187
Telecommunications	383	294	(89)
Information Systems	5,507	5,728	221
General Expenses Capital	2,800	2,800	0
Unforeseen	<u>750</u>	<u>375</u>	<u>(375)</u>
Total	<u>56,436</u>	<u>57,726</u>	<u>1,290</u>
Projects carried forward from 2002	-	5,528	

<sup>1.</sup> Includes capital expenditures of \$19,000 incurred in 2002.

<sup>2.</sup> Includes capital expenditures of \$50,000 incurred in 2002.

**1<sup>st</sup> Revision Note:** Updated to reflect the Board's approval of Newfoundland Power's 2003 supplementary capital budget application, as per Order No. P.U. 26 (2003) dated July 25, 2003.

**2003 Capital Expenditure Status Report**  
**(000s)**

	Capital Budget 2003	Actual Expenditures			Forecast			Variance
		2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total	
2003 Capital Projects	\$ 52,915	\$ 69	\$ 18,945	\$ 19,014	\$ 35,195	\$ 54,140	\$ 54,209	\$ 1,294
2003 Supplementary Capital Projects	721		459	459	258	717	717	(4)
2003 General Expenses Capital	2,800	-	1,408	1,408	1,392	2,800	2,800	-
<b>Grand Total</b>	<u>\$ 56,436</u>	<u>\$ 69</u>	<u>\$ 20,812</u>	<u>\$ 20,881</u>	<u>\$ 36,845</u>	<u>\$ 57,657</u>	<u>\$ 57,726</u>	<u>\$ 1,290</u>

**1<sup>st</sup> Revision Note:** Updated to reflect the Board's approval of Newfoundland Power's 2003 supplementary capital budget application, as per Order No. P.U. 26 (2003) dated July 25, 2003.

**2002 Capital Expenditure Carryover Report  
 (000s)**

	Capital Budget 2002	Capital Budget 2003	Actual Expenditures			Forecast			Variance	
			2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total		
2002 Projects Carried into 2003	15,046		11,007	1,388	12,395	4,140	5,528	16,535	1,489	
<b>Grand Total</b>	<u>\$ 15,046</u>	<u>\$ -</u>	<u>\$ 11,007</u>	<u>\$ 1,388</u>	<u>\$ 12,395</u>	<u>\$ 4,140</u>	<u>\$ 5,528</u>	<u>\$ 16,535</u>	<u>\$ 1,489</u>	

**2003 Capital Expenditure Status Report  
(000s)**

**Class: Energy Supply**

Project	Capital Budget 2002	Capital Budget 2003	Total	Actual Expenditures			Forecast			Variance	Notes*
				2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total		
Hydro Plants - Facility Rehabilitation	\$ -	\$ 2,345	\$ 2,345	\$ -	\$ 222	\$ 222	\$ 2,158	\$ 2,380	\$ 2,380	\$ 35	
Thermal Plants - Facility Rehabilitation	-	1,561	1,561	14	72	86	1,687	1,759	1,773	212	1
Purchase Portable Diesel Generation	-	1,500	1,500	-	17	17	1,583	1,600	1,600	100	2
Penstock Replacement - Lockston	-	1,520	1,520	5	33	38	1,488	1,521	1,526	6	
Major Electrical Equipment Repairs	-	150	150	-	3	3	147	150	150	-	
	-	7,076	7,076	19	347	366	7,063	7,410	7,429	353	
<b>Carry Overs</b>											
Wesleyville Gas Turbine Relocation	\$ 1,674		\$ 1,674	\$ 1,356	\$ 53	\$ 1,409	\$ 675	\$ 728	\$ 2,084	\$ 410	3
Hydro Plants - Facility Rehabilitation	1,771		1,771	2,031	336	2,367	62	398	2,429	658	4
Thermal Plants - Facility Rehabilitation	828		828	656	95	751	309	404	1,060	232	5
System Control Centre - Extend SCADA Capabilities	-		-	29	35	64	40	75	104	104	6
Gas Turbine - Replace Governor and Control Logic	500		500	317	80	397	80	160	477	(23)	
	4,773		4,773	4,389	599	4,988	1,166	1,765	6,154	1,381	
<b>Total</b>	<b>\$ 4,773</b>	<b>\$ 7,076</b>	<b>\$ 11,849</b>	<b>\$ 4,408</b>	<b>\$ 946</b>	<b>\$ 5,354</b>	<b>\$ 8,229</b>	<b>\$ 9,175</b>	<b>\$ 13,583</b>	<b>\$ 1,734</b>	

\* See Appendix A for notes containing variance explanations.

**2003 Capital Expenditure Status Report  
(000s)**

**Class: Substations**

Project	Capital Budget 2002	Capital Budget 2003	Total	Actual Expenditures			Forecast			Variance	Notes*
				2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total		
Rebuild Substations	\$ -	\$ 557	\$ 557	\$ -	\$ 73	\$ 73	\$ 379	\$ 452	\$ 452	\$ (105)	7
Replacement and Spare Substation Equipment	-	1,107	1,107	-	220	220	850	1,070	1,070	(37)	
Reliability and Power Quality Improvements	-	198	198	-	9	9	109	118	118	(80)	8
Substation Protection and Monitoring Improvements	-	425	425	-	44	44	386	430	430	5	
Distribution System - Feeder Remote Control	-	1,200	1,200	-	540	540	660	1,200	1,200	-	
Virginia Waters - Add 66/12.5kV Transformer	-	1,150	1,150	-	32	32	1,016	1,048	1,048	(102)	9
Chamberlains - Add 66/25 kV Transformer	-	1,250	1,250	-	53	53	1,182	1,235	1,235	(15)	
Customer Growth - Cow Head (supplementary application)	-	271	271	-	9	9	258	267	267	(4)	
	-	6,158	6,158	-	980	980	4,840	5,820	5,820	(338)	
<b>Carry Overs</b>											
Purchase Power Transformer	\$ 2,000		\$ 2,000	48	95	143	1,610	1,705	1,753	(247)	10
St. John's Area Transmission Relaying Improvement Program	593		593	513	130	643	144	274	787	194	11
Modifications to Accommodate Gas Turbine	480		480	719	49	768	56	105	824	344	12
Replacement and Spare Substation Equipment	2,475		2,475	2,716	100	2,816	36	136	2,852	377	13
	5,548		5,548	3,996	374	4,370	1,846	2,220	6,216	668	
<b>Total</b>	<b>\$ 5,548</b>	<b>\$ 6,158</b>	<b>\$ 11,706</b>	<b>\$ 3,996</b>	<b>\$ 1,354</b>	<b>\$ 5,350</b>	<b>\$ 6,686</b>	<b>\$ 8,040</b>	<b>\$ 12,036</b>	<b>\$ 330</b>	

\* See Appendix A for notes containing variance explanations.

**1<sup>st</sup> Revision Note:** Updated to reflect the Board's approval of Newfoundland Power's 2003 supplementary capital budget application, as per Order No. P.U. 26 (2003) dated July 25, 2003.

**2003 Capital Expenditure Status Report**  
**(000s)**

**Class: Transmission**

Project	Capital Budget 2003	Actual Expenditures		Forecast			Variance	Notes*
		2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total	
Rebuild Transmission Lines	\$ 4,129	\$ 50	\$ 1,415	\$ 1,465	\$ 2,826	\$ 4,241	\$ 4,291	14
		-		-	-		-	
<b>Total</b>	<u>\$ 4,129</u>	<u>\$ 50</u>	<u>\$ 1,415</u>	<u>\$ 1,465</u>	<u>\$ 2,826</u>	<u>\$ 4,241</u>	<u>\$ 4,291</u>	

\* See Appendix A for notes containing variance explanations.



**2003 Capital Expenditure Status Report**  
**(000s)**

**Class: Distribution**

Project	Capital Budget 2003	Actual Expenditures			Forecast			Variance	Notes*
		2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total		
Extensions	\$ 4,322	\$ -	\$ 2,059	\$ 2,059	\$ 2,675	\$ 4,734	\$ 4,734	\$ 412	15
Meters	674	-	280	280	394	674	674	-	
Services	1,819	-	635	635	1,206	1,841	1,841	22	
Street Lighting	952	-	442	442	791	1,233	1,233	281	16
Transformers	4,975	-	2,710	2,710	2,185	4,895	4,895	(80)	17
Reconstruction	2,745	-	1,328	1,328	1,417	2,745	2,745	-	
Aliant Pole Purchase	4,044	-	4,044	4,044	-	4,044	4,044	-	
Load Research	425	-	3	3	422	425	425	-	
Trunk Feeders									
Rebuild Distribution Lines	3,504	-	1,270	1,270	2,179	3,449	3,449	(55)	18
Relocate/Replace Distribution Lines For Third Parties	275	-	74	74	219	293	293	18	
Distribution Reliability Initiative	1,078	-	238	238	1,009	1,247	1,247	169	19
Improve Distribution System Protection/Operation	457	-	300	300	419	719	719	262	20
Replace Underground Switches - Water Street, St. John's	762	-	124	124	641	765	765	3	
Extensions-Cow Head (supplementary application)	450	-	450	450	-	450	450	-	
Interest During Construction	100	-	24	24	76	100	100	-	
<b>Total</b>	<b>\$ 26,582</b>	<b>\$ -</b>	<b>\$ 13,981</b>	<b>\$ 13,981</b>	<b>\$ 13,633</b>	<b>\$ 27,614</b>	<b>\$ 27,614</b>	<b>\$ 1,032</b>	

\* See Appendix A for notes containing variance explanations.

**1<sup>st</sup> Revision Note:** Updated to reflect the Board's approval of Newfoundland Power's 2003 supplementary capital budget application, as per Order No. P.U. 26 (2003) dated July 25, 2003.

**2003 Capital Expenditure Status Report**  
**(000s)**

**Class: General Property**

Project	Capital Budget 2003	Actual Expenditures			Forecast			Variance	Notes*
		2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total		
Tools and Equipment	\$ 770	\$ -	\$ 364	\$ 364	\$ 463	\$ 827	\$ 827	\$ 57	21
Additions to Real Property	140	-	115	115	105	220	220	80	22
<b>Total</b>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 479</u>	<u>\$ 479</u>	<u>\$ 568</u>	<u>\$ 1,047</u>	<u>\$ 1,047</u>	<u>\$ 137</u>	

\* See Appendix A for notes containing variance explanations.

**2003 Capital Expenditure Status Report  
 (000s)**

**Class: Transportation**

Project	Capital Budget 2002	Capital Budget 2003	Total	Actual Expenditures			Forecast			Variance	Notes*
				2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total		
Purchase of Vehicles and Aerial Devices		\$ 2,141	\$ 2,141	\$ -	\$ 523	\$ 523	\$ 1,805	\$ 2,328	\$ 2,328	\$ 187	23
<b><u>Carry Overs</u></b>											
Purchase of Vehicles and Aerial Devices	\$ 2,200		2,200	1,609	-	\$ 1,609	748	748	\$ 2,357	157	24
<b>Total</b>	<u>\$ 2,200</u>	<u>\$ 2,141</u>	<u>\$ 4,341</u>	<u>\$ 1,609</u>	<u>\$ 523</u>	<u>\$ 2,132</u>	<u>\$ 2,553</u>	<u>\$ 3,076</u>	<u>\$ 4,685</u>	<u>\$ 344</u>	

\* See Appendix A for notes containing variance explanations.

**2003 Capital Expenditure Status Report  
 (000s)**

**Class: Telecommunications**

Project	Capital Budget 2002	Capital Budget 2003	Total	Actual Expenditures			Forecast			Variance	Notes*
				2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total		
Replace/Upgrade Communications Equipment	\$ -	\$ 242	\$ 242	\$ -	\$ -	\$ -	\$ 205	\$ 205	\$ 205	\$ (37)	25
Substation Telephone Circuit Protection	-	141	141	-	3	3	86	89	89	(52)	26
	-	383	383	-	3	3	291	294	294	(89)	
<b>Carry Overs</b>											
Fibre Optic Networking	\$ 264		264	115	139	254	(15)	124	239	(25)	
<b>Total</b>	<u>\$ 264</u>	<u>\$ 383</u>	<u>\$ 647</u>	<u>\$ 115</u>	<u>\$ 142</u>	<u>\$ 257</u>	<u>\$ 276</u>	<u>\$ 418</u>	<u>\$ 533</u>	<u>\$ (114)</u>	

\* See Appendix A for notes containing variance explanations.

**2003 Capital Expenditure Status Report  
(000s)**

**Class: Information Systems**

Project	Capital Budget 2002	Capital Budget 2003	Total	Actual Expenditures			Forecast			Variance	Notes*
				2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total		
Application Enhancements	\$ -	\$ 766	\$ 766	\$ -	\$ 413	\$ 413	\$ 423	\$ 836	\$ 836	\$ 70	27
Application Environment	-	755	755		84	84	762	846	846	91	28
Customer Service System Study		170	170		69	69	101	170	170		
Facilities Management	-	562	562		298	298	255	553	553	(9)	
Network Infrastructure		542	542		16	16	531	547	547	5	
Operations Support Systems	-	383	383		130	130	241	371	371	(12)	
Outage Management	-	284	284	-	7	7	273	280	280	(4)	
Personal Computer Infrastructure		634	634	-	69	69	495	564	564	(70)	29
Shared Servers Infrastructure		1,411	1,411	-	590	590	971	1,561	1,561	150	30
		5,507	5,507	-	1,676	1,676	4,052	5,728	5,728	221	
<b>Carry Overs</b>											
Operations Support Systems	\$ 1,322		\$ 1,322	459	61	520	245	306	765	(557)	31
Facilities Management	939		939	439	215	654	150	365	804	(135)	32
	2,261	-	2,261	898	276	1,174	395	671	1,569	(692)	
<b>Total</b>	<b>\$ 2,261</b>	<b>\$ 5,507</b>	<b>\$ 7,768</b>	<b>\$ 898</b>	<b>\$ 1,952</b>	<b>\$ 2,850</b>	<b>\$ 4,447</b>	<b>\$ 6,399</b>	<b>\$ 7,297</b>	<b>\$ (471)</b>	

\* See Appendix A for notes containing variance explanations.

**2003 Capital Expenditure Status Report**  
**(000s)**

**Class: Unforeseen Items**

Project	Capital Budget 2003	Actual Expenditures		Forecast			Variance	Notes*
		2002	YTD 2003	Total To Date	Remainder of 2003	Total 2003	Overall Total	
Allowance for Unforeseen Items	\$ 750	\$ -	\$ -	\$ -	\$ 375	\$ 375	\$ 375	\$ (375) 33
		-	-	-	-	-	-	-
<b>Total</b>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 375</u>	<u>\$ 375</u>	<u>\$ (375)</u>

\* See Appendix A for notes containing variance explanations.

**2003 Capital Expenditure Status Report**  
**Notes**

**Energy Supply**

*1. Thermal Plants - Facility Rehabilitation:*

Budget: \$1,561,000      Forecast: \$1,773,000      Variance: \$212,000

The original project for the mobile gas turbine at Port aux Basques involved refurbishment of the protection, controls and housing. However, further analysis identified the need to expand the project to include refurbishment of the gas generator (\$325,000). This was somewhat offset by a lower than expected contract price for the installation of an exhaust stack at the Greenhill gas turbine (-\$123,000).

*2. Purchase Portable Diesel Generation:*

Budget: \$1,500,000      Forecast: \$1,600,000      Variance: \$100,000

Contract prices received following the tender call were higher than had been anticipated (\$100,000).

*3. Wesleyville Gas Turbine Relocation (2002 Project):*

Budget: \$1,674,000      Forecast: \$2,084,000      Variance: \$410,000

The increase in this project is the result of two items. First, as a result of the discussions with the manufacturer and other engineering firms, it was determined that certain original, 30 year old, items would be compromised during relocation and should be replaced (\$120,000); second, additional interest was incurred during construction (\$96,000); and third, additional engineering, project management and commissioning costs were incurred (\$150,000) mainly as a result of deferring the relocation from 2002 to 2003.

*4. Hydro Plants – Facility Rehabilitation (2002 Project):*

Budget: \$1,771,000      Forecast: \$2,429,000      Variance: \$658,000

The increase in this category is the result of the Company's decision to replace the governor and the control system for both generating units at the Seal Cove Hydroelectric plant rather than only one unit as planned in the original budget. This decision was made when an equipment failure in the second unit in March of 2002 caused significant damage to the generator. Due to the fact that it was necessary to rebuild the second generator, it was determined to be prudent to also replace the governor and the control system at the same time. The increase in costs for the Seal Cove project were somewhat offset by the deferral until 2003 of similar work at Tors Cove and Topsail Hydroelectric plants.

**2003 Capital Expenditure Status Report**  
**Notes**

**Energy Supply**

5. *Thermal Plants – Facility Rehabilitation (2002 Project):*

Budget: \$828,000      Forecast: \$1,060,000      Variance: \$232,000

The increase in this project is a result of increase costs associated with the Greenhill Gas Turbine upgrade (\$129,000) and the Salt Pond Gas Turbine air intake replacement (\$60,000).

During the implementation of the upgrades at the Greenhill Gas Turbine, problems were experienced with the vibration monitoring system. The system was obsolete and replacement parts unavailable, resulting in a requirement to replace the whole system.

The original plan for the replacement of the Salt Pond air intake structure anticipated that the inlet plenum would be reused. However, on further inspection by a third party consultant, it will be determined that, due to age and deterioration, the structural integrity would be compromised during relocation and should be replaced.

6. *Web Enterprise Upgrade SCADA (2001 Project):*

Budget: \$0      Forecast: \$104,000      Variance: \$104,000

This project was a carryover from the 2001 budget and is designed to provide web-based access to screens and telemetry available through SCADA. It will be completed in 2003.



**2003 Capital Expenditure Status Report**  
**Notes**

**Substations**

*7. Rebuild Substations:*

Budget: \$557,000      Forecast: \$452,000      Variance: -\$105,000

An engineering analysis of projects to upgrade substations at Grand Beach and Trepassey revealed that the work required was in excess of the original estimate. As a result, both of these projects were scaled back such that \$35,000 will be spent to complete engineering and drafting this year (-\$87,000). In addition, planned work to extend safety clearances around certain regulators was deferred pending further engineering analysis (-\$36,000). These reductions were somewhat offset by the unplanned replacement of a breaker at Laurentian substation following an equipment failure (\$18,000).

*8. Reliability and Power Quality Improvements:*

Budget: \$198,000      Forecast: \$118,000      Variance: -\$80,000

The transmission line switch program on 39L was reduced to include engineering only in order to release resources for other higher priority projects (-\$82,000). This will be carried forward into 2004.

*9. Virginia Waters – Add 66/12.5kv Transformer:*

Budget: \$1,150,000      Forecast: \$1,048,000      Variance: -\$102,000

The contract prices received following the tender call were lower than had been anticipated (-\$102,000).

*10. Purchase Power Transformer (2002 Project):*

Budget: \$2,000,000      Forecast: \$1,753,000      Variance: -\$247,000

The contract prices received following the tender call were lower than had been anticipated (-\$247,000).

**2003 Capital Expenditure Status Report**  
**Notes**

**Substations**

*11. St. John's Area & Transmission Relaying Improvement Program (2002 Project):*

Budget: \$593,000      Forecast: \$787,000      Variance: \$194,000

Due to the complexity and communication incompatibility of some of the hardware components, identified during the implementation phase of the project, additional communications interface devices were required (\$194,000).

*12. Modification to Accommodate Gas Turbine (2002 Project):*

Budget: \$480,000      Forecast: \$824,000      Variance: \$344,000

The variance in this project reflects the cost of an additional high voltage breaker, the construction of a steel structure, the relocation of a transformer and the addition of a battery bank and charging system (\$344,000). These items were added to meet substation standards.

*13. Replacement and Spare Substation Equipment (2002 Project):*

Budget: \$2,475,000      Forecast: \$2,852,000      Variance: \$377,000

The increase in this category is primarily attributable to the repair of the 1966-vintage T1 transformer at Grand Bay Substation, which failed in December 2001 (\$207,000), the unplanned replacement of voltage regulator panels that failed during 2002 (\$50,000), and increased costs to repair portable substation P-435, (\$25,000).

**2003 Capital Expenditure Status Report**  
**Notes**

**Transmission**

*14. Rebuild Transmission Lines:*

Budget: \$4,129,000      Forecast: \$4,291,000      Variance: \$162,000

The variance is the result of high priority projects identified during the 2003 transmission line inspections (\$100,000), along with increased survey costs on 100L, 124L and 146L (\$59,000).

**2003 Capital Expenditure Status Report**  
**Notes**

**Distribution**

*15. Extensions:*

Budget: \$4,322,000      Forecast: \$4,734,000      Variance: \$412,000

The extensions forecast is being affected by a customer driven project to deliver power to the Pitcher's Pond Golf Course (\$75,000), along with the takeover of the Argentia distribution system from the Argentia Management Authority (\$190,000). In addition, residential customer growth remains stronger than expected (\$147,000).

*16. Street Lighting:*

Budget: \$952,000      Forecast: \$1,233,000      Variance: \$281,000

Installation of new streetlights in St. John's Region has increased significantly as a result of customer driven demand (\$231,000). In addition, a greater than expected number of streetlights have had to be replaced (\$50,000).

*17. Transformers:*

Budget: \$4,975,000      Forecast: \$4,895,000      Variance: -\$80,000

The reduction in this forecast reflects a reduced requirement for transformers (-\$80,000).

*18. Rebuild Distribution Lines:*

Budget: \$3,504,000      Forecast: \$3,449,000      Variance -\$55,000

The variance in this item is the result of additional work on the SPR-03 project, offset by the deferral of the GLV-02 Extend Line to Charlottetown project. The GLV-02 project will be carried forward into 2004.

*19. Distribution Reliability Initiative:*

Budget: \$1,078,000      Forecast: \$1,247,000      Variance: \$169,000

The project to improve feeder GLV-02 in the Terra Nova National Park area was increased to accommodate the route approved by Parks Canada (\$195,000). This was somewhat offset by a reduction in MIL-02 based on a lower than expected contract price for pole replacement (-\$26,000).

**2003 Capital Expenditure Status Report**  
**Notes**

**Distribution**

*20. Improve Distribution System Protection/Operation:*

Budget: \$457,000      Forecast: \$719,000      Variance: \$262,000

The original budget was prepared based on historical expenditures. In 2002 we moved towards a more structured approach to carrying out work based on the feeder inspection program. The inspections not only identify defects but also identify various “program” requirements such as CLF requirements, Lightning arrestor requirements, etc. The revised forecast for Distribution System Protection reflects the decision to complete all required “protection” work identified on the feeders that were inspected in 2002.

**2003 Capital Expenditure Status Report**  
**Notes**

**General Property**

*21. Tools and Equipment:*

Budget: \$770,000      Forecast: \$827,000      Variance: \$57,000

This variance is the result of increased costs to replace workstations and upgrade furniture at the Kenmount Road Building (\$23,000) and Gander Office (\$6,000), along with a higher than expected cost for the purchase of a tension stringer (\$38,000).

*22. Additions to Real Property:*

Budget: \$140,000      Forecast: \$220,000      Variance: \$80,000

This variance is the result of required building renovations at the Kenmount Road Building (\$48,000) and the Gander Office (\$21,000) to meet standards.

**2003 Capital Expenditure Status Report**  
**Notes**

**Transportation**

*23. Purchase of Vehicles and Aerial Devices:*

Budget: \$2,141,000      Forecast: \$2,328,000      Variance: \$187,000

The change in this category is due to the fact that the cost of the heavy vehicle fleet units are approximately 6% higher than budget and an increase in cost associated with factory inspections and commissioning of the units.

*24. Purchase of Vehicles and Aerial Devices (2002 Project):*

Budget: \$2,200,000      Forecast: \$2,357,000      Variance: \$157,000

The increase in this category resulted from the receipt of a line truck in 2002 that was part of the 2001 purchase (\$157,000).

**2003 Capital Expenditure Status Report**  
**Notes**

**Telecommunications**

*25. Replace/Upgrade Communications Equipment:*

Budget: \$242,000      Forecast: \$205,000      Variance: -\$37,000

The deficiencies identified through inspections required less effort than originally estimated.

*26. Substation Telephone Circuit Protection:*

Budget: \$141,000      Forecast: \$89,000      Variance: -\$52,000

An engineering study into the actual versus calculated ground potential rise at substations in the Newfoundland environment has been deferred pending the outcome of a Canadian Electricity Association review.



**2003 Capital Expenditure Status Report**  
**Notes**

**Information Systems**

*27. Application Enhancements:*

Budget: \$766,000      Forecast: \$836,000      Variance: \$70,000

The increase in this project reflects an increase in the functional requirements to enhance Business Support Systems including employee self-service improvements (\$45,000), as well as an increase in the effort required to develop a SCADA information reporting application for system analysis purposes (\$30,000).

*28. Application Environment:*

Budget: \$755,000      Forecast: \$846,000      Variance: \$91,000

The increase in this project reflects increased use of external resources required to upgrade to current versions of the Oracle database, Powerhouse development tools and the OpenVMS operating system (\$155,000). This also reflects the increased effort required to improve environment management procedures for the Facilities Management, SCADA and Spill Reporting applications (\$60,000). This is partly offset by a deferral of the Microsoft Great Plains upgrade from Version 6.0 to Version 7.0, now planned for 2004 (-\$124,000).

*29. Personal Computer Infrastructure:*

Budget: \$634,000      Forecast: \$564,000      Variance: -\$70,000

The reduction in this project reflects lower than anticipated pricing of new Personal Computers (-\$70,000).

*30. Shared Servers Infrastructure:*

Budget: \$1,411,000      Forecast: \$1,561,000      Variance: \$150,000

A site assessment conducted by the vendor identified additional requirements for hardware and labour to upgrade the Unix operating system and SCADA software (\$150,000).

**2003 Capital Expenditure Status Report**  
**Notes**

**Information Systems**

*31. Operations Support Systems (2002 Project):*

Budget: \$1,322,000      Forecast: \$765,000      Variance: -\$557,000

During the assessment of functional requirements for this project, it became apparent that the requirement could be met by utilizing a software module installed in conjunction with the Business Support Systems project. When combined with the work completed in 2001, the overall labour cost of the project was reduced (-\$557,000).

*32. Facilities Management (2002 Project):*

Budget: \$939,000      Forecast: \$804,000      Variance: -\$135,000

During the assessment of functional requirements for this project, the Company decided to reduce the scope and focus on two asset categories. When combined with the work completed in 2001, the overall labour cost of the project was reduced (-\$135,000).

**2003 Capital Expenditure Status Report**  
**Notes**

**Unforeseen Items**

*33. Allowance for Unforeseen Items:*

Budget: \$750,000      Forecast: \$375,000      Variance: -\$375,000

This item is necessary to cover any unforeseen capital expenditures that have not been budgeted elsewhere. Projects, for which these funds are intended, are justified on the basis of reliability, or on the need to immediately replace deteriorated or damaged equipment. We have reduced the forecast for this item as we have completed half of the year without utilizing any of these funds.