

1 Q. **B-20, Upgrade Distribution Systems, \$2,572,000**

2 Over the years from 2004 to 2008 Actual Expenditures have exceeded the budgeted
3 amount by as much as 81.5% (in 2004). Has NLH considered other methodologies
4 for estimating this expenditure?

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7 A. Hydro uses the historical five-year average of Distribution Upgrading expenditures
8 for forecasting Distribution Upgrading budgets. The five-year average expenditure
9 is adjusted for cost escalation in future years using a cost escalation index. This
10 methodology projects future expenditures based on recent historical activity levels.
11 Actual Distribution Upgrading expenditures will be affected by unforeseen
12 upgrading requirements and unforeseen cost escalation. Hydro has not considered
13 other methodologies for estimating this expenditure.