

1    Q.    **2012 Capital Plan**

2            In the Twenty-Year Capital Plan, found in Appendix B of the 2012 Capital Plan, the  
3            forecast capital expenditures for the years 2013 to 2016 range from \$121.4 million  
4            to \$155.2 million, while the remaining years from 2017 to 2031 are expected to  
5            decrease to pre-2012 levels. What steps is Hydro taking to manage capital  
6            expenditures in an attempt to stabilize the costs over this period?

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9    A.    It should be noted that Hydro anticipates the plan will undergo revision, and the  
10          2017 to 2031 values have not been substantively reviewed. Like the rest of North  
11          American utilities, Hydro has an aging infrastructure that will require ongoing  
12          incremental investment to sustain existing operating levels as assets move further  
13          out on the service life curve. Additionally, the generation expansion plan and  
14          resultant capital investment plan is limited, pending a decision on the Labrador  
15          interconnection to the Island. While Hydro does not expect capital expenditures to  
16          decrease to pre-2012 levels, better estimates are not yet available.

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18          The 2013 to 2016 sustaining capital plan is driven by escalation in the cost of both  
19          labour and materials. Materials costs are internationally benchmarked, while  
20          labour is local. Both areas are experiencing upswings, particularly labour as the  
21          Newfoundland and Labrador economy remains healthy.

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23          The largest drivers for the growth shown in the 2013 to 2016 plan are the projects  
24          required for incremental load growth, namely the Oxen Pond transformer addition  
25          and the upgrade required to the Bay d'Espoir to Western Avalon transmission  
26          corridor.

1        While the stabilization of costs is addressed through depreciation, the underlying  
2        capital expenditures are being considered for prioritization of the right work being  
3        completed at the right time, both to sustain the existing infrastructure and to meet  
4        load growth, while considering Hydro's mandate to provide least cost, reliable and  
5        safe power.