

1 Q. **Reference: 2014 Capital Budget: 2013 Capital Expenditures Explanations:**

2 **Upgrade Terminal Stations to 25 kV – Labrador City, Volume I, Section I, Page I-21**
3 **– I-22**

4 It is indicated that “The budget for this project was previously increased to
5 \$12,650,000...”. Please provide the particulars of this increase (including reasons)
6 and any Board approval of the increase.

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9 A. The Upgrade Terminal Stations to 25 kV – Labrador City is a multi-year project. The
10 Capital Budget Application Guidelines Revision Date October 2007, states the
11 following in relation to multi-year expenditures:

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13 *“Each year of an expenditure will be considered in the initial year of application.*

14 *Where a utility shows in each subsequent year of a multi-year expenditure that the*
15 *scope, nature and amount of the capital expenditures are consistent with the*
16 *original approval, further approval is not required.*

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18 *Expenditures in subsequent years will be subject to further review if there is a*
19 *material change in the scope, nature or forecast cost of the expenditure. A change*
20 *will be considered material if the nature or scope of the expenditure changes such*
21 *that that original rationale provided is no longer applicable or where the revised*
22 *forecast expenditure exceeds the approved amount by 10% or more.”*

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24 Hydro provided the following response to the PUB-NLH-36 as part of the 2012
25 Capital Budget Application:

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27 *As indicated, the budget for this multi-year project was prepared in 2008. The work*

was approved and began in 2009 and is scheduled to be completed in 2012. A significant amount of the work to be completed in 2011/2012 is contract work related to the construction of the terminal stations and the installation of equipment.

Hydro has recently completed the tender phase and has recognized a variance between the 2008 estimates and the 2011 tender responses.

The table below provides a summary of the approved budget, the amount spent to date, and projections of the additional expenses to the end of the project.

Approved Budget:	\$9,900,000
Spent to Date (Sept 2011):	\$3,400,000
Budget for the Remainder of 2011:	\$5,500,000
Projection for 2012:	\$3,750,000
Final Forecasted Expenses:	\$12,650,000
Variance:	\$2,750,000

Hydro filed 2012 Capital Budgets, Phase 1 – Generation Revision 1, October 12 – 11 showing the revised total for 2012 of \$3,750,000 on page A-12 of Attachment 1, page 4 of 6, with a total project revision of \$12,650,000.

Hydro also filed the 2012 Capital Budget using new templates requested by the Board. Phase 1, Schedule C, lists the budget for 2012 for the Upgrade Terminal Stations to 25 kV – Labrador City at \$3,750,000 and the total budget for Phase 1 at \$69,755,500 as shown on Attachment 2.

1 Board Order No. P.U. 2(2012), included Schedule A and B but not C. However,
2 Order No. P.U. 5(2012) states that \$61,495,000 was approved which includes the
3 \$3,750,000 in costs for 2012 as illustrated in NP-NLH-23 Attachment 2 and the table
4 below.

Total Capital Budget Phase 1 (as per NP-NLH-23 Attachment 2)	\$69,755.5
Upgrade Burnt Dam Spillway	(\$1,702.8)
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Increase Generation Capacity – Mary’s Harbour	(\$1,489.4)
Upgrade Transmission Line Access Trails	(\$313.0)
Install Additional 230 kV Transformer – Oxen Pond	(\$3,535.2)
Contingency Fund	(\$1,000.0)
Total Projects under \$50,000	(\$743.9)
Phase 1 [Order No. P.U. 2(2012)]	\$61,495.0

5 Hydro has informed the Board of the change in costs for this project through PUB-
6 NLH-36 and reflected it in the Capital Budget Schedule Phase 1 Revision 1, as well as
7 the revised amount for 2012 on Phase 1, Schedule C. As no further issues have been
8 raised by the Board in this connection, Hydro assumes that these expenditures have
9 been accepted by the Board and will be included in rate base.