

- 1 **Q. (Reference CA-NP-124) Table 1 shows that the actual conductor per kilometer**
2 **cost was 225% of the budgeted cost.**
3 **a) What percentage of the total does this element of the project represent in**
4 **both budget and actual project costs?**
5 **b) What is the actual cost per kilometer today?**
6 **c) Is this cost increase expected to persist going forward, or is it expected to**
7 **be temporary?**
8 **d) How has NP adjusted its capital budget process going forward as a result of**
9 **this huge increase in conductor costs?**
10
11 **A.** a) The estimated cost of conductor represented 5.8% of the original project budget.
12 Due to cost increases driven by material shortages and an increase in the cost of
13 raw materials, the final conductor costs accounted for 9.1% of the actual project
14 cost.
15
16 b) Newfoundland Power's contract with its conductor supplier outlines a baseline per
17 kilometre price at which the conductor is to be purchased. The current average
18 baseline price for conductor is \$16,119 per kilometre of transmission line.¹ However,
19 due to price variability among the commodities used to manufacture the conductor,
20 there is a mechanism within the contract to adjust the per kilometre price based on
21 current raw material costs. The actual cost charged to Newfoundland Power for
22 conductor varies based on a number of factors, including raw material pricing as well
23 as the exchange rate at the time the conductor is purchased.
24
25 c) Newfoundland Power does not expect this rate of cost increase to persist.
26
27 d) Newfoundland Power completes a review of its capital budget estimates annually as
28 a part of the capital budget process to confirm their accuracy and to ensure
29 reasonably foreseeable increases to labour and material pricing are considered in the
30 preparation of project budgets. As Newfoundland Power does not expect a similar
31 increase in conductor costs during the capital planning period, it is expected that the
32 typical review and updating of the Company's capital budget estimates will provide
33 reasonable accuracy.

¹ This cost is an average across four different transmission conductors used by Newfoundland Power. The cost assumes all transmission lines have three phases.