

WHENEVER. WHEREVER.
We'll be there.



HAND DELIVERED

February 28, 2020

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

Re: 2019 Capital Expenditure Report

Enclosed are the original and 9 copies of Newfoundland Power Inc.'s *2019 Capital Expenditure Report* (the "Report"). The Report is presented in compliance with Order No. P.U. 35 (2018).

The Report provides information on capital expenditures approved in Order No. P.U. 35 (2018), including actual expenditures to December 31, 2019 and variances between actual and budgeted expenditures by project. Information is also provided for expenditures approved through supplemental applications in Order Nos. P.U. 28 (2018), P.U. 5 (2019), P.U. 6 (2019) and P.U. 36 (2019).

Variances of more than 10% of approved expenditures and \$100,000 or greater are explained in the Notes contained in Appendix A to the Report.

If you have any questions on the enclosed, please contact the undersigned at your convenience.

Yours truly,

A handwritten signature in blue ink, appearing to read "Kelly Hopkins".

Kelly Hopkins
Corporate Counsel

Enclosure

c. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, QC
Browne Fitzgerald Morgan Avis

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

PHONE (709) 737-5364 • FAX (709) 737-2974 • khopkins@newfoundlandpower.com

2019 Capital Expenditure Report

February 28, 2020

(Filed in compliance with Order No. P.U. 35 (2018))

WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND
POWER
A FORTIS COMPANY

Newfoundland Power Inc.

2019 Capital Expenditure Report

Explanatory Note

This report is filed in compliance with Order No. P.U. 35 (2018) of the Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”).

Page 1 of the *2019 Capital Expenditure Report* outlines variances from budget of the capital expenditures approved by the Board in Order No. P.U. 35 (2018), as well as capital expenditures approved through supplemental applications in Order Nos. P.U. 28 (2018), P.U. 5 (2019), P.U. 6 (2019) and P.U. 36 (2019). Detailed tables on pages 2 through 14 provide additional detail on capital expenditures in 2019, and also include information on capital projects approved for 2018 that were not completed prior to 2019. Page 14 provides additional detail on multi-year projects underway in 2019.

Variances of more than 10% of approved expenditure and \$100,000 or greater are explained in Appendix A. This is consistent with the variance criteria outlined in the *Capital Budget Application Guidelines*.

Newfoundland Power Inc.
2019 Capital Budget Variances
(000s)

	Approved¹	Actual	Variance
Generation - Hydro	\$2,663	\$2,610	(\$53)
Generation - Thermal	8,242	7,446 ²	(796)
Substations	19,731	17,133	(2,598)
Transmission	11,491	11,865 ³	374
Distribution	40,151	46,801	6,650
General Property	2,630	2,849 ⁴	219
Transportation	3,990	4,223 ⁵	233
Telecommunications	233	312	79
Information Systems	6,975	6,854 ⁶	(121)
Unforeseen Allowance	750	0	(750)
General Expenses Capitalized	4,000	6,203	2,203
Total	\$100,856	\$106,296	\$5,440
Projects carried forward from 2018		\$3,149 ⁷	

¹ Approved in Order Nos. P.U. 35 (2018), P.U. 5 (2019), P.U. 6 (2019) and P.U. 36 (2019).

² Includes forecast expenditure of \$150,000 for the *Purchase of Mobile Generation* project carried forward into 2020.

³ Includes forecast expenditure of \$310,000 for the *Transmission Line 114L Relocation* project carried forward into 2020.

⁴ Includes forecast expenditure of \$530,000 for the *Company Building Renovations* project carried forward into 2020.

⁵ Includes forecast expenditure of \$1,575,000 for the *Purchase Vehicles and Aerial Devices* project carried forward into 2020.

⁶ Includes forecast expenditure of \$314,000 for *Information Systems* projects carried forward into 2020.

⁷ Actual 2019 expenditures associated with projects carried forward from 2018.

2019 Capital Expenditure Report
(000s)

	Capital Budget			Actual Expenditure		Carryover	Total	Variance
	2018	2019	Total	2018	2019			
	A	B	C	D	E			
2019 Projects	\$ -	\$ 100,856	\$ 100,856	\$ -	\$ 103,417	\$ 2,879	\$ 106,296	\$ 5,440
2018 Projects	\$ 17,114	\$ -	\$ 17,114	\$ 14,670	\$ 3,149	\$ -	\$ 17,819	\$ 705
Grand Total	\$ 17,114	\$ 100,856	\$ 117,970	\$ 14,670	\$ 106,566	\$ 2,879	\$ 124,115	\$ 6,145

Column A Approved Capital Budget for 2018
Column B Approved Capital Budget for 2019
Column C Total of Columns A and B
Column D Actual Capital Expenditure for 2018
Column E Actual Capital Expenditure for 2019
Column F Capital Projects Carried Forward to 2020
Column G Total of Columns D, E and F
Column H Column G less Column C

**2019 Capital Expenditure Report
(000s)**

Category: Generation - Hydro

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2018	2019	Total	2018	2019				
	A	B	C	D	E	F	G	H	
<u>2019 Projects</u>									
Facility Rehabilitation	\$ -	\$ 1,502	\$ 1,502	\$ -	\$ 1,584	\$ -	\$ 1,584	\$ 82	
Rattling Brook Plant Refurbishment	-	1,161	1,161	-	1,026	-	1,026	(135)	1
	<u>\$ -</u>	<u>\$ 2,663</u>	<u>\$ 2,663</u>	<u>\$ -</u>	<u>\$ 2,610</u>	<u>\$ -</u>	<u>\$ 2,610</u>	<u>\$ (53)</u>	
<u>2018 Projects</u>									
Facility Rehabilitation	\$ 2,119	\$ -	\$ 2,119	\$ 2,348	\$ 253	\$ -	\$ 2,601	\$ 482	2
	<u>\$ 2,119</u>	<u>\$ -</u>	<u>\$ 2,119</u>	<u>\$ 2,348</u>	<u>\$ 253</u>	<u>\$ -</u>	<u>\$ 2,601</u>	<u>\$ 482</u>	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2018
- Column B Approved Capital Budget for 2019
- Column C Total of Columns A and B
- Column D Actual Capital Expenditure for 2018
- Column E Actual Capital Expenditure for 2019
- Column F Capital Projects Carried Forward to 2020
- Column G Total of Columns D, E and F
- Column H Column G less Column C

2019 Capital Expenditure Report
(000s)

Category: Generation - Thermal

	<u>Capital Budget</u>		<u>Actual Expenditure</u>		<u>Total</u>	<u>Variance</u>	<u>Notes*</u>
	<u>2019</u>	<u>Total</u>	<u>2019</u>	<u>Carryover</u>			
	A	B	C	D	E	F	
<u>2019 Projects</u>							
Facility Rehabilitation Thermal	\$ 327	\$ 327	\$ 165	\$ -	\$ 165	\$ (162)	3
	<u>\$ 327</u>	<u>\$ 327</u>	<u>\$ 165</u>	<u>\$ -</u>	<u>\$ 165</u>	<u>\$ (162)</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2019
Column D	Capital Projects Carried Forward to 2020
Column E	Total of Columns C and D
Column F	Column E less Column B

**2019 Capital Expenditure Report
(000s)**

Category: Substations

	Capital Budget		Actual	Carryover	Total	Variance	Notes*
	2019	Total	Expenditure				
	A	B	2019	D	E	F	
<u>2019 Projects</u>							
Substation Refurbishment and Modernization	\$ 8,580	\$ 8,580	\$ 7,384	\$ -	\$ 7,384	\$ (1,196)	4
Replacements Due to In-Service Failures	3,547	3,547	4,532	-	4,532	985	5
PCB Bushing Phaseout	912	912	934	-	934	22	
LPD Substation	3,800	3,800	2,382	-	2,382	(1,418)	6
OXF Substation 36L Termination	400	400	322	-	322	(78)	
Pepperrell Substation Transformer Addition	2,334	2,334	1,514	-	1,514	(820)	7
Pepperrell Substation Feeder Termination	158	158	65	-	65	(93)	
	<u>\$ 19,731</u>	<u>\$ 19,731</u>	<u>\$ 17,133</u>	<u>\$ -</u>	<u>\$ 17,133</u>	<u>\$ (2,598)</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2019
Column D	Capital Projects Carried Forward to 2020
Column E	Total of Columns C and D
Column F	Column E less Column B

**2019 Capital Expenditure Report
(000s)**

Category: Transmission

	Capital Budget		Actual	Carryover	Total	Variance	Notes*
	2019	Total	Expenditure				
	A	B	2019	D	E	F	
<u>2019 Projects</u>							
Rebuild Transmission Lines	\$ 4,422	\$ 4,422	\$ 4,996	\$ -	\$ 4,996	\$ 574	8
Transmission Line 114L Relocation at Customer Request	310	310	-	310	310	-	
Transmission Line 36L	400	400	643	-	643	243	9
	<u>\$ 5,132</u>	<u>\$ 5,132</u>	<u>\$ 5,639</u>	<u>\$ 310</u>	<u>\$ 5,949</u>	<u>\$ 817</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2019
Column D	Capital Projects Carried Forward to 2020
Column E	Total of Columns C and D
Column F	Column E less Column B

**2019 Capital Expenditure Report
(000s)**

Category: Distribution

	Capital Budget		Actual	Carryover	Total	Variance	Notes*
	2019	Total	Expenditure				
	A	B	2019				
2019 Projects							
Extensions	\$ 10,725	\$ 10,725	\$ 13,379	\$ -	\$ 13,379	\$ 2,654	10
Meters	622	622	481	-	481	(141)	11
Services	3,037	3,037	3,090	-	3,090	53	
Street Lighting	2,301	2,301	3,455	-	3,455	1,154	12
Transformers	6,716	6,716	5,696	-	5,696	(1,020)	13
Reconstruction	5,376	5,376	5,579	-	5,579	203	
Rebuild Distribution Lines	3,977	3,977	4,371	-	4,371	394	
Relocate/Replace Distribution Lines For Third Parties	2,442	2,442	5,192	-	5,192	2,750	14
Trunk Feeders	400	400	488	-	488	88	
Distribution Reliability Initiative	1,800	1,800	1,636	-	1,636	(164)	
Feeder Additions for Growth	1,865	1,865	2,465	-	2,465	600	15
Distribution Feeder Automation	675	675	754	-	754	79	
AFUDC	215	215	215	-	215	-	
	<u>\$ 40,151</u>	<u>\$ 40,151</u>	<u>\$ 46,801</u>	<u>\$ -</u>	<u>\$ 46,801</u>	<u>\$ 6,650</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2019
Column D	Capital Projects Carried Forward to 2020
Column E	Total of Columns C and D
Column F	Column E less Column B

**2019 Capital Expenditure Report
(000s)**

Category: General Property

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2018	2019	Total	2018	2019				
	A	B	C	D	E	F	G	H	
2019 Projects									
Tools and Equipment	\$ -	\$ 467	\$ 467	\$ -	\$ 451	\$ -	\$ 451	\$ (16)	
Additions to Real Property	-	489	489	-	503	-	503	14	
Company Building Renovations	-	1,374	1,374	-	1,182	530	1,712	338	16
Physical Security Upgrades	-	300	300	-	183	-	183	(117)	17
	<u>\$ -</u>	<u>\$ 2,630</u>	<u>\$ 2,630</u>	<u>\$ -</u>	<u>\$ 2,319</u>	<u>\$ 530</u>	<u>\$ 2,849</u>	<u>\$ 219</u>	
2018 Projects									
Duffy Place Roof Replacement	900	\$ -	900	402	699	-	1,101	201	18
	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ 402</u>	<u>\$ 699</u>	<u>\$ -</u>	<u>\$ 1,101</u>	<u>\$ 201</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2018
Column B	Approved Capital Budget for 2019
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2018
Column E	Actual Capital Expenditure for 2019
Column F	Capital Projects Carried Forward to 2020
Column G	Total of Columns D, E and F
Column H	Column G less Column C

**2019 Capital Expenditure Report
(000s)**

Category: Transportation

	<u>Capital Budget</u>		<u>Actual</u>	<u>Carryover</u>	<u>Total</u>	<u>Variance</u>	<u>Notes*</u>
	<u>2019</u>	<u>Total</u>	<u>2019</u>				
	A	B	C	D	E	F	
<u>2019 Projects</u>							
Purchase Vehicles and Aerial Devices	\$ 3,990	\$ 3,990	\$ 2,648	\$ 1,575	\$ 4,223	\$ 233	
	<u>\$ 3,990</u>	<u>\$ 3,990</u>	<u>\$ 2,648</u>	<u>\$ 1,575</u>	<u>\$ 4,223</u>	<u>\$ 233</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2019
Column D	Capital Projects Carried Forward to 2020
Column E	Total of Columns C and D
Column F	Column E less Column B

2019 Capital Expenditure Report
(000s)

Category: Telecommunications

	<u>Capital Budget</u>		<u>Actual</u>	<u>Carryover</u>	<u>Total</u>	<u>Variance</u>	<u>Notes*</u>
	<u>2019</u>	<u>Total</u>	<u>2019</u>				
	A	B	C	D	E	F	
<u>2019 Projects</u>							
Replace/Upgrade Communications Equipment	\$ 106	\$ 106	\$ 112	\$ -	\$ 112	\$ 6	
Fibre Optic Network	127	127	200	-	200	73	
	<u>\$ 233</u>	<u>\$ 233</u>	<u>\$ 312</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 79</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2019
Column D	Capital Projects Carried Forward to 2020
Column E	Total of Columns C and D
Column F	Column E less Column B

**2019 Capital Expenditure Report
(000s)**

Category: Information Systems

	<u>Capital Budget</u>		<u>Actual</u>	<u>Carryover</u>	<u>Total</u>	<u>Variance</u>	<u>Notes*</u>
	<u>2019</u>	<u>Total</u>	<u>2019</u>				
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	
<u>2019 Projects</u>							
Network Infrastructure	\$ 322	\$ 322	\$ 338	\$ -	\$ 338	\$ 16	
Personal Computer Infrastructure	472	472	500	-	500	28	
Shared Server Infrastructure	848	848	879	-	879	31	
System Upgrades	1,013	1,013	838	95	933	(80)	
Application Enhancements	1,252	1,252	879	-	879	(373)	19
Cybersecurity Upgrades	398	398	271	146	417	19	
	<u>\$ 4,305</u>	<u>\$ 4,305</u>	<u>\$ 3,705</u>	<u>\$ 241</u>	<u>\$ 3,946</u>	<u>\$ (359)</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2019
Column D	Capital Projects Carried Forward to 2020
Column E	Total of Columns C and D
Column F	Column E less Column B

**2019 Capital Expenditure Report
(000s)**

Category: Unforeseen Allowance

	<u>Capital Budget</u>		<u>Actual</u>	<u>Carryover</u>	<u>Total</u>	<u>Variance</u>	<u>Notes*</u>
	<u>2019</u>	<u>Total</u>	<u>2019</u>				
	A	B	C	D	E	F	
<u>2019 Projects</u>							
Allowance for Unforeseen Items	\$ 750	\$ 750	\$ -	\$ -	\$ -	\$ (750)	20
	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (750)</u>	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2019
- Column B Total of Column A
- Column C Actual Capital Expenditure for 2019
- Column D Capital Projects Carried Forward to 2020
- Column E Total of Columns C and D
- Column F Column E less Column B

**2019 Capital Expenditure Report
(000s)**

Category: General Expenses Capitalized

	Capital Budget		Actual	Carryover	Total	Variance	Notes*
	2019	Total	Expenditure				
	A	B	2019	D	E	F	
<u>2019 Projects</u>							
General Expenses Capitalized	\$ 4,000	\$ 4,000	\$ 6,203	\$ -	\$ 6,203	\$ 2,203	21
	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 6,203</u>	<u>\$ -</u>	<u>\$ 6,203</u>	<u>\$ 2,203</u>	

* See Appendix A for notes containing variance explanations.

Column A Approved Capital Budget for 2019
 Column B Total of Column A
 Column C Actual Capital Expenditure for 2019
 Column D Capital Projects Carried Forward to 2020
 Column E Total of Columns C and D
 Column F Column E less Column B

**2019 Capital Expenditure Report
Multi-Year Projects
(000s)**

Category: Multi-Year Projects

	Capital Budget			Actual Expenditure		Carryover F	Total G	Variance H	Notes*
	2018 A	2019 B	Total C	2018 D	2019 E				
	<u>2019 Component</u>								
<u>Generation - Thermal</u>									
Purchase Mobile Generation	\$ -	\$ 7,915	\$ 7,915	\$ -	\$ 7,131	\$ 150	\$ 7,281	\$ (634)	
<u>Transmission</u>									
Rebuild Transmission Lines	-	6,359	6,359	-	5,916	-	5,916	(443)	
<u>Information Systems</u>									
System Upgrades	-	245	245	-	215	-	215	(30)	
Outage Management System Replacement	-	1,210	1,210	-	1,376	-	1,376	166	
Human Resource Management System Replacement	-	1,215	1,215	-	1,244	73	1,317	102	
	<u>-</u>	<u>16,944</u>	<u>16,944</u>	<u>-</u>	<u>15,882</u>	<u>223</u>	<u>16,105</u>	<u>(839)</u>	
<u>2018 Component</u>									
<u>Generation - Thermal</u>									
Purchase Mobile Generation	\$ 6,000	\$ -	\$ 6,000	\$ 4,453	\$ 1,595	\$ -	\$ 6,048	\$ 48	
<u>Transmission</u>									
Rebuild Transmission Lines	5,068	-	5,068	5,027	-	-	5,027	(41)	
<u>Information Systems</u>									
System Upgrades	245	-	245	201	-	-	201	(44)	
Outage Management System Replacement	2,360	-	2,360	1,758	602	-	2,360	-	
Human Resource Management System Replacement	422	-	422	481	-	-	481	59	
	<u>14,095</u>	<u>-</u>	<u>14,095</u>	<u>11,920</u>	<u>2,197</u>	<u>-</u>	<u>14,117</u>	<u>22</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2018
Column B	Approved Capital Budget for 2019
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2018
Column E	Actual Capital Expenditure for 2019
Column F	Capital Projects Carried Forward to 2020
Column G	Total of Columns D, E and F
Column H	Column G less Column C

Generation - Hydro

1. *Rattling Brook Plant Refurbishment:*
Budget: \$1,161,000 Actual: \$1,026,000 Variance: (\$135,000)

Actual expenditure on the *Rattling Brook Plant Refurbishment* project was \$135,000 lower than budget. The budgeted expenditure of \$1,161,000 was based on using contractors for unit disassembly and reassembly. This work was ultimately completed using internal resources, which was determined to be more cost effective. Additionally, favourable pricing was received on the rotor re-insulation and less work than budgeted was required on the turbine, which was found in better than expected condition following disassembly.

2. *Facility Rehabilitation (2018 Project):*
Budget: \$2,119,000 Actual: \$2,601,000 Variance: \$482,000

Actual expenditure on the *Facility Rehabilitation* project was \$482,000 higher than budget.

Additional costs associated with the *Second Storage Pond Dam* refurbishment project (\$197,000) and the *Tors Cove Access Road Bridge Replacement* (\$146,000) project were incurred due to poor foundation conditions found during excavation. This required additional fill material and larger concrete abutments.

Additional costs were also incurred on the *Rocky Pond Turbine Bearing Replacement* project (\$155,000) due to alignment issues encountered when the generator was reassembled.

Generation - Thermal

3. *Facility Rehabilitation - Thermal:*

Budget: \$327,000

Actual: \$165,000

Variance: (\$162,000)

The *Facility Rehabilitation - Thermal* project principally deals with in-service failures. In 2019, the cost of in-service failures was below average.

Substations

4. *Substation Refurbishment and Modernization:*

Budget: \$8,580,000 Actual: \$7,384,000 Variance: (\$1,196,000)

The *Substation Refurbishment and Modernization* project variance was due to material and labour costs being less than anticipated. The purchase cost for major equipment, including circuit breakers, reclosers, switches, protection panels and a power transformer, were lower than the original budget estimates. Contractor installation costs were also lower than the original budget estimates.

5. *Replacements Due to In-Service Failures:*

Budget: \$3,547,000 Actual: \$4,532,000 Variance: \$985,000

Actual expenditure on the *Replacements Due to In-Service Failures* project was \$985,000 above the budget estimate. The budget was based on historical costs over the previous 5 years. The repair of 2 failed power transformers is the primary reason 2019 expenditures were above the 5-year average.

6. *LPD Substation:*

Budget: \$3,800,000 Actual: \$2,832,000 Variance: (\$1,418,000)

The *LPD Substation* project variance was due to material and labour costs being lower than anticipated. Expenditures for major equipment purchases, including circuit breakers, switches, protection panels, and a power transformer, were lower than the original budget estimates. Contractor installation costs were also lower than the original budget estimates.

7. *Pepperrell Substation Transformer Addition:*

Budget: \$2,334,000 Actual: \$1,514,000 Variance: (\$820,000)

The *Pepperrell Substation Transformer Addition* project variance was due to material and labour costs being lower than anticipated. Expenditures for the power transformer were lower than the original budget estimate. Contractor installation costs were also lower than the original budget estimates.

Transmission8. *Rebuild Transmission Lines:*

Budget: \$4,422,000 Actual: \$4,996,000 Variance: \$574,000

Actual expenditure on the 2019 *Rebuild Transmission Lines* project was \$574,000 higher than the budget estimate.

The cost of rebuilding Transmission Line 136L was approximately \$460,000 higher than the budget estimate. The additional cost was principally due to unexpected bedrock conditions that necessitated blasting for many of the structures.

Additionally, the project includes an amount to deal with high-priority deficiencies on transmission lines. Approximately \$113,000 of the additional cost resulted from more high-priority deficiencies than was anticipated.

9. *Transmission Line 36L:*

Budget: \$400,000 Actual: \$643,000 Variance: \$243,000

Actual capital expenditure on the *Transmission Line 36L* project was \$243,000 higher than the budget estimate. The additional cost resulted from requests from Transport Canada for an aeronautical assessment due to the line's proximity to a hospital. The assessment resulted in the need to paint poles and install marker balls and a lighting system. Also, the line passes through Pippy Park and the Pippy Park Commission imposed additional constraints during construction, which added to project costs.

Distribution10. *Extensions:*

Budget: \$10,725,000	Actual: \$13,379,000	Variance: \$2,654,000
----------------------	----------------------	-----------------------

Actual capital expenditure on the *Extensions* project was \$2,654,000, or 25%, higher than the budget estimate.

The *Extensions* budget is determined based on the forecast volume of new customer connections and the average historical cost of constructing extensions.

The number of extensions completed in 2019 was less than budget due to a decrease in new customer connections. The Company forecasted approximately 2,593 new customer connections in 2019. The actual number of connections was 2,379, or 8% below forecast.

The increased *Extensions* expenditure in 2019 was largely due to an increase in the average cost to connect commercial customers. The size and cost of commercial extensions can vary substantially. Canopy Growth and NewCo Metals are examples of larger commercial extensions completed in 2019.

Over the period 2014 to 2018, commercial extensions averaged \$1,950,000 per year. This amount was included in the 2019 *Extensions* budget. In 2019, commercial extensions accounted for \$4,150,000, an increase of \$2,200,000 over the previous 5-year average.

11. *Meters:*

Budget: \$622,000	Actual: \$481,000	Variance: (\$141,000)
-------------------	-------------------	-----------------------

Actual expenditure on *Meters* was \$141,000 below budget. This was largely due to lower than expected customer growth. The budget was based on 2,593 new customer connections. Actual customer connections were 2,379, or 8% below the budget estimate.

Distribution

12. *Street Lighting:*
Budget: \$2,301,000 Actual: \$3,455,000 Variance: \$1,154,000

Actual expenditure on the *Street Lighting* project was \$1,154,000 more than budget.

The *Street Lighting* budget estimate is based on the projected number of new customer connections multiplied by the average annual cost per customer over the last 5 years.

Over the last 5 years, the average number of street lights installed was 2,588. The number of street lights installed in 2019 was 3,183, or 23% higher than the 5-year average. The higher number of installations resulted in higher expenditure.

Additionally, actual expenditure associated with LED street light fixtures in 2019 was higher than the original budget estimate.

13. *Transformers:*
Budget: \$6,716,000 Actual: \$5,696,000 Variance: (\$1,020,000)

Actual expenditure required for transformer installations was \$1,020,000 below budget. This was largely due to lower than expected customer growth. The budget was based on 2,593 new customer connections. Actual customer connections were 2,379, or 8% below the budget estimate.

14. *Relocate/Replace Distribution Lines for Third Parties:*
Budget: \$2,442,000 Actual: \$5,192,000 Variance: \$2,750,000

Actual expenditure on the *Relocate/Replace Distribution Lines for Third Parties* project was \$2,750,000 more than budget. Budgeted expenditure is based on the 5-year historical average. Actual expenditure is largely driven by the capital programs of the Company's joint use partners. In 2019, these joint use partners significantly increased their capital programs, most notably through the Bell "Connecting Canadians" project. As a result, the amount of distribution plant requiring upgrade to accommodate joint use requirements exceeded the historical average.

Distribution

15. *Feeder Additions for Growth:*

Budget: \$1,865,000 Actual: \$2,465,000 Variance: \$600,000

Actual expenditure on the *Feeder Additions for Growth* project was higher than expected.

Additional work was required on the new PEP-05 feeder, resulting in a variance of \$261,000.¹ The original plan called for using existing underground ductwork to exit the substation. When construction commenced, it was discovered that much of the existing underground ductwork had collapsed and the entire duct bank required replacement.

Complications that arose with rear lot access on the SLA-05 feeder project resulted in a variance of \$150,000 for that project.² Additional tree cutting and the use of specialized equipment (e-z haulers) was required.

¹ Distribution feeder PEP-05 is serviced by Pepperrell (“PEP”) Substation in St. John’s.

² Distribution feeder SLA-05 is serviced by Stamp’s Lane (“SLA”) Substation in St. John’s.

General Property16. *Company Building Renovations:*

Budget: \$1,374,000 Actual: \$1,712,000³ Variance: \$338,000

The *Company Building Renovations* project was \$338,000 above budget. The variance is principally due to higher than expected tender pricing received for both the Salt Pond and Glovertown building renovations. The work for both projects will not be completed until 2020.

17. *Physical Security Upgrades:*

Budget: \$300,000 Actual: \$183,000 Variance: (\$117,000)

The *Physical Security Upgrades* project expenditure was \$117,000 below budget. This resulted from an alternative solution being implemented for substation security than was planned at the time of the budget.

18. *Duffy Place Roof Replacement (2018 Project):*

Budget: \$900,000 Actual: \$1,101,000 Variance: \$201,000

The *Duffy Place Roof Replacement* project expenditure was \$201,000 above budget. This work was required as a result of deteriorated roof conditions, which resulted in persistent leaks in 2017 and again in 2018. The project was approved through a supplemental application filed in July 2018. Only one qualified bid was received through the tendering process and work did not commence until late October 2018. The additional expenditure was principally due to added difficulties experienced when replacing the roof under winter conditions.

³ Includes forecast expenditure of \$530,000 for the *Company Building Renovations* project carried forward into 2020.

Information Systems19. *Application Enhancements:*

Budget: \$1,252,000 Actual: \$879,000 Variance: (\$373,000)

Actual expenditure for the *Application Enhancements* project was \$373,000 less than budget.

Cancellation of the *eTailboards* project at a cost of \$213,000 contributed to this variance. Newfoundland Power evaluated solutions through a Request for Proposals process. The detailed evaluation showed that proposed solutions were not compatible with the mobile technology deployed in the Company's fleet of vehicles. The project could not be cost-effectively implemented as a result.

The *Weather Normalization Data Automation* project was delayed to 2020, resulting in a variance of \$132,000. Execution of this project was delayed due to reallocation of internal resources to ensure completion of the *Outage Management System Replacement* project.

Unforeseen Allowance

20. *Allowance for Unforeseen Items:*

Budget: \$750,000

Actual: \$0

Variance: (\$750,000)

No expenditure was required for this project in 2019.

General Expenses Capitalized

21. *General Expenses Capitalized:*

Budget: \$4,000,000 Actual: \$6,203,000 Variance: \$2,203,000

The increase in *General Expenses Capitalized* resulted from a change in the capitalization of pension expense associated with Accounting Standards Update 2017-07. This change was approved in Order No. P.U. 2 (2019) and was not included in the original budget for this project.