

WHENEVER. WHEREVER.
We'll be there.



March 31, 2023

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

Dear Ms. Blundon:

Re: 2022 Capital Expenditure Report

Enclosed please find Newfoundland Power Inc.'s 2022 Capital Expenditure Report (the "Report"). The Report is presented in compliance with Order No. P.U. 36 (2021) and subsequent correspondence from the Board of Commissioners of Public Utilities dated February 13, 2023 rescheduling the filing date to April 1, 2023 pursuant to section 41 of the *Public Utilities Act*.

The Report provides information on capital expenditures approved in Order Nos. P.U. 36 (2021), P.U. 30 (2021), P.U. 12 (2021), P.U. 10 (2021), P.U. 37 (2020) and P.U. 5 (2020), including actual expenditures to December 31, 2022 and variances between actual and budgeted expenditures by project.

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 that reads "D. Foley".

Dominic Foley
Legal Counsel

Enclosure

cc. Shirley Walsh
Newfoundland & Labrador Hydro

Dennis Browne, K.C.
Browne Fitzgerald Morgan & Avis

Newfoundland Power Inc.

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

PHONE (709) 693-3206 • FAX (709) 737-2974 • dfoley@newfoundlandpower.com

2022 Capital Expenditure Report

March 31, 2023

(Filed in compliance with Order No. P.U. 36 (2021))

WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND 
POWER
A FORTIS COMPANY

Newfoundland Power Inc.

2022 Capital Expenditure Report

Explanatory Note

This report is filed in compliance with Order No. P.U. 36 (2021) of the Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”) and their subsequent correspondence dated February 13, 2023 rescheduling the filing date to April 1, 2023 pursuant to section 41 of the **Public Utilities Act**.

Page 1 of the *2022 Capital Expenditure Report* outlines variances from budget of the capital expenditures approved by the Board in Order Nos. P.U. 36 (2021), P.U. 12 (2021) and P.U. 37 (2020). The tables on pages 2 through 14 provide additional detail on capital expenditures in 2022, and also include information on capital projects approved for 2020 and 2021 that were not completed prior to 2022. Page 14 provides additional detail on multi-year projects underway in 2022.

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.
2022 Capital Budget Variances
(000s)

	Approved ¹	Actual	Variance
Generation - Hydro	\$2,462	\$2,381 ²	(\$81)
Generation - Thermal	307	254	(53)
Substations	11,639	14,196 ³	2,557
Transmission	12,892	15,587 ⁴	2,695
Distribution	46,214	50,434 ⁵	4,220
General Property	2,660	2,855 ⁶	195
Transportation	3,089	3,089 ⁷	0
Telecommunications	564	571 ⁸	7
Information Systems	21,044	21,493 ⁹	449
Unforeseen Allowance	750	0	(750)
General Expenses Capitalized	6,500	7,159	659
Total	\$108,121	\$118,019	\$9,898
Projects carried forward from prior years		\$19,014 ¹⁰	

¹ Approved in Order Nos. P.U. 36 (2021), P.U. 12 (2021) and P.U. 37 (2020).

² Includes forecast expenditure of \$265,000 for *Hydro Facility Rehabilitation* carried forward into 2023.

³ Includes forecast expenditure of \$1,126,000 for *Substations Refurbishment and Modernization* carried forward into 2023.

⁴ Includes forecast expenditure of \$3,921,000 for *Transmission Line 94L Rebuild* carried forward into 2023.

⁵ Includes forecast expenditure of \$234,000 for *Distribution Reliability Initiative* carried forward into 2023.

⁶ Includes forecast expenditure of \$147,000 for *Clarenville Area Office Building Refurbishment* carried forward into 2023.

⁷ Includes forecast expenditure of \$1,335,000 for *Replace Vehicles and Aerial Devices 2022-2023* carried forward into 2023.

⁸ Includes forecast expenditure of \$361,000 for *St. John's Teleprotection System Replacement* carried forward into 2023.

⁹ Includes forecast expenditures of \$11,860,000 for *Customer Service System Replacement* and \$170,000 for *Network Infrastructure* carried forward into 2023. Newfoundland Power will report on the progress of the *Customer Service System Replacement* project in its 2024 Capital Budget Application.

¹⁰ Includes actual 2022 expenditures associated with projects carried forward from prior year of \$16,548,000 and forecast expenditures of \$110,000 for *Transmission Line Extension – 35L*, \$324,000 for *Trunk Feeders*, \$1,797,000 for *Purchase Vehicles and Aerial Devices*, \$130,000 for *Application Enhancements* and \$105,000 for *Fibre Optic Cable Builds* carried forward into 2023.

**2022 Capital Expenditure Report
(000s)**

	Capital Budget			Actual Expenditure		Carryover	Total	Variance
	2020 - 2021	2022	Total	2020 - 2021	2022			
	A	B	C	D	E			
2022 Projects	\$ -	\$ 108,121	\$ 108,121	\$ -	\$ 98,600	\$ 19,419	\$ 118,019	\$ 9,898
2021 Projects	\$ 41,872	\$ -	\$ 41,872	\$ 23,086	\$ 16,548	\$ 2,466	\$ 42,100	\$ 228
Grand Total	\$ 41,872	\$ 108,121	\$ 149,993	\$ 23,086	\$ 115,148	\$ 21,885	\$ 160,119	\$ 10,126

Column A Approved Capital Budget for 2020 - 2021
 Column B Approved Capital Budget for 2022
 Column C Total of Columns A and B
 Column D Actual Capital Expenditure for 2020 - 2021
 Column E Actual Capital Expenditure for 2022, including \$1,484 associated with the 2021 Utility EV Charging Network project.
 Column F Capital Projects Carried Forward to 2023
 Column G Total of Columns D, E and F
 Column H Column G less Column C

**2022 Capital Expenditure Report
(000s)**

Category: Generation - Hydro

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2020 - 2021	2022	Total	2020 - 2021	2022				
	A	B	C	D	E				
<u>2022 Projects</u>									
Hydro Facility Rehabilitation	\$ -	\$ 2,062	\$ 2,062	\$ -	\$ 1,841	\$ 265	\$ 2,106	\$ 44	
	<u>\$ -</u>	<u>\$ 2,062</u>	<u>\$ 2,062</u>	<u>\$ -</u>	<u>\$ 1,841</u>	<u>\$ 265</u>	<u>\$ 2,106</u>	<u>\$ 44</u>	
<u>2020 - 2021 Projects</u>									
Petty Harbour Hydro Plant Refurbishment	\$ 3,662	\$ -	\$ 3,662	\$ 3,499	\$ 209	\$ -	\$ 3,708	\$ 46	
	<u>\$ 3,662</u>	<u>\$ -</u>	<u>\$ 3,662</u>	<u>\$ 3,499</u>	<u>\$ 209</u>	<u>\$ -</u>	<u>\$ 3,708</u>	<u>\$ 46</u>	

* See Appendix A for notes containing variance explanations.

Column A Approved Capital Budget for 2020 - 2021
Column B Approved Capital Budget for 2022
Column C Total of Columns A and B
Column D Actual Capital Expenditure for 2020 - 2021
Column E Actual Capital Expenditure for 2022
Column F Capital Projects Carried Forward to 2023
Column G Total of Columns D, E and F
Column H Column G less Column C

**2022 Capital Expenditure Report
(000s)**

Category: Generation - Thermal

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2021	2022	Total	2021	2022				
	A	B	C	D	E				
2022 Projects									
Thermal Plant Facility Rehabilitation	\$ -	\$ 307	\$ 307	\$ -	\$ 254	\$ -	\$ 254	\$ (53)	
	<u>\$ -</u>	<u>\$ 307</u>	<u>\$ 307</u>	<u>\$ -</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 254</u>	<u>\$ (53)</u>	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2021
- Column B Approved Capital Budget for 2022
- Column C Total of Columns A and B
- Column D Actual Capital Expenditure for 2021
- Column E Actual Capital Expenditure for 2022
- Column F Capital Projects Carried Forward to 2023
- Column G Total of Columns D, E and F
- Column H Column G less Column C

**2022 Capital Expenditure Report
(000s)**

Category: Substations

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2021	2022	Total	2021	2022				
	A	B	C	D	E	F	G	H	
2022 Projects									
Substations Refurbishment and Modernization	\$ -	\$ 7,049	\$ 7,049	\$ -	\$ 8,009	\$ 1,126	\$ 9,135	\$ 2,086	1
Replacements Due to In-Service Failures	-	3,691	3,691	-	4,562	-	4,562	871	2
PCB Bushing Phase-out	-	899	899	-	499	-	499	(400)	3
	<u>\$ -</u>	<u>\$ 11,639</u>	<u>\$ 11,639</u>	<u>\$ -</u>	<u>\$ 13,070</u>	<u>\$ 1,126</u>	<u>\$ 14,196</u>	<u>\$ 2,557</u>	
2021 Projects									
Additions Due to Load Growth	\$ 4,997	-	\$ 4,997	\$ 2,508	\$ 2,595	\$ -	\$ 5,103	\$ 106	
	<u>\$ 4,997</u>	<u>\$ -</u>	<u>\$ 4,997</u>	<u>\$ 2,508</u>	<u>\$ 2,595</u>	<u>\$ -</u>	<u>\$ 5,103</u>	<u>\$ 106</u>	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2021
- Column B Approved Capital Budget for 2022
- Column C Total of Columns A and B
- Column D Actual Capital Expenditure for 2021
- Column E Actual Capital Expenditure for 2022
- Column F Capital Projects Carried Forward to 2023
- Column G Total of Columns D, E and F
- Column H Column G less Column C

**2022 Capital Expenditure Report
(000s)**

Category: Transmission

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2021	2022	Total	2021	2022				
	A	B	C	D	E	F	G	H	
2022 Projects									
Transmission Line Rebuild (124L)	\$ -	\$ 6,021	\$ 6,021	\$ -	\$ 8,626	\$ -	\$ 8,626	\$ 2,605	4
Transmission Line Maintenance and 3 rd Party Relocations	-	2,398	\$ 2,398	-	2,488	-	2,488	90	
	<u>\$ -</u>	<u>\$ 8,419</u>	<u>\$ 8,419</u>	<u>\$ -</u>	<u>\$ 11,114</u>	<u>\$ -</u>	<u>\$ 11,114</u>	<u>\$ 2,695</u>	
2021 Projects									
Transmission Line Extension - 35L	\$ 1,343	\$ -	\$ 1,343	\$ 106	\$ 2,006	\$ 110	\$ 2,222	\$ 879	5
	<u>\$ 1,343</u>	<u>\$ -</u>	<u>\$ 1,343</u>	<u>\$ 106</u>	<u>\$ 2,006</u>	<u>\$ 110</u>	<u>\$ 2,222</u>	<u>\$ 879</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2021
Column B	Approved Capital Budget for 2022
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2021
Column E	Actual Capital Expenditure for 2022
Column F	Capital Projects Carried Forward to 2023
Column G	Total of Columns D, E and F
Column H	Column G less Column C

**2022 Capital Expenditure Report
(000s)**

Category: Distribution

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2021	2022	Total	2021	2022				
	A	B	C	D	E	F	G	H	
2022 Projects									
Extensions	\$ -	\$ 10,333	\$ 10,333	\$ -	\$ 12,489	\$ -	\$ 12,489	\$ 2,156	6
Meters	-	818	818	-	773	-	773	(45)	
Services	-	3,038	3,038	-	3,697	-	3,697	659	7
Street Lighting	-	2,507	2,507	-	3,146	-	3,146	639	8
Street Lighting - LED Replacement Program	-	5,428	5,428	-	5,729	-	5,729	301	
Transformers	-	5,958	5,958	-	7,307	-	7,307	1,349	9
Reconstruction	-	5,902	5,902	-	6,179	-	6,179	277	
Rebuild Distribution Lines	-	4,333	4,333	-	3,956	-	3,956	(377)	
Relocate/Replace Distribution Lines For Third Parties	-	3,370	3,370	-	3,055	-	3,055	(315)	
Distribution Reliability Initiative	-	350	350	-	116	234	350	-	
Feeder Additions for Load Growth	-	1,690	1,690	-	1,773	-	1,773	83	
Distribution Feeder Automation	-	893	893	-	817	-	817	(76)	
Trunk Feeders - Humber 4.16 kV Conversion	-	1,355	1,355	-	910	-	910	(445)	10
Allowance for Funds Used During Construction	-	239	239	-	253	-	253	14	
	<u>\$ -</u>	<u>\$ 46,214</u>	<u>\$ 46,214</u>	<u>\$ -</u>	<u>\$ 50,200</u>	<u>\$ 234</u>	<u>\$ 50,434</u>	<u>\$ 4,220</u>	
2021 Projects									
Trunk Feeders	\$ 800	\$ -	\$ 800	\$ 7	\$ 469	\$ 324	\$ 800	\$ -	
Feeder Additions for Load Growth	2,655	-	2,655	1,899	773	-	2,672	17	
Utility EV Charging Network ¹	1,538	-	1,538	51	1,484	-	1,535	(3)	
	<u>\$ 4,993</u>	<u>\$ -</u>	<u>\$ 4,993</u>	<u>\$ 1,957</u>	<u>\$ 2,726</u>	<u>\$ 324</u>	<u>\$ 5,007</u>	<u>\$ 14</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2021
Column B	Approved Capital Budget for 2022
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2021
Column E	Actual Capital Expenditure for 2022
Column F	Capital Projects Carried Forward to 2023
Column G	Total of Columns D, E and F
Column H	Column G less Column C

¹ Expenditures related to the Utility Electric Vehicle Charging Network were recorded to the deferral account in accordance with Order No. P.U. 3 (2022).

**2022 Capital Expenditure Report
(000s)**

Category: General Property

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2021	2022	Total	2021	2022				
	A	B	C	D	E				
2022 Projects									
Tools and Equipment	\$ -	\$ 598	\$ 598	\$ -	\$ 628	\$ -	\$ 628	\$ 30	
Additions to Real Property	-	716	716	-	770	-	770	54	
Clarenville Area Office Building Refurbishment	-	854	854	-	787	147	934	80	
Physical Security Upgrades	-	492	492	-	523	-	523	31	
	<u>\$ -</u>	<u>\$ 2,660</u>	<u>\$ 2,660</u>	<u>\$ -</u>	<u>\$ 2,708</u>	<u>\$ 147</u>	<u>\$ 2,855</u>	<u>\$ 195</u>	
2021 Projects									
Company Building Renovations	\$ 1,392	\$ -	\$ 1,392	\$ 1,038	\$ 383	\$ -	\$ 1,421	\$ 29	
	<u>\$ 1,392</u>	<u>\$ -</u>	<u>\$ 1,392</u>	<u>\$ 1,038</u>	<u>\$ 383</u>	<u>\$ -</u>	<u>\$ 1,421</u>	<u>\$ 29</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2021
Column B	Approved Capital Budget for 2022
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2021
Column E	Actual Capital Expenditure for 2022
Column F	Capital Projects Carried Forward to 2023
Column G	Total of Columns D, E and F
Column H	Column G less Column C

**2022 Capital Expenditure Report
(000s)**

Category: Transportation

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2021	2022	Total	2021	2022				
	A	B	C	D	E	F	G	H	
2021 Projects									
Purchase Vehicles and Aerial Devices ²	\$ 4,032	\$ -	\$ 4,032	\$ 1,683	\$ 1,075	\$ 1,797	\$ 4,555	\$ 523	11
	<u>\$ 4,032</u>	<u>\$ -</u>	<u>\$ 4,032</u>	<u>\$ 1,683</u>	<u>\$ 1,075</u>	<u>\$ 1,797</u>	<u>\$ 4,555</u>	<u>\$ 523</u>	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2021
- Column B Approved Capital Budget for 2022
- Column C Total of Columns A and B
- Column D Actual Capital Expenditure for 2021
- Column E Actual Capital Expenditure for 2022
- Column F Capital Projects Carried Forward to 2023
- Column G Total of Columns D, E and F
- Column H Column G less Column C

² In 2022, due to long delivery times, Newfoundland Power initiated a multi-year approach to procuring heavy/medium duty fleet vehicles.

**2022 Capital Expenditure Report
(000s)**

Category: Telecommunications

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2021	2022	Total	2021	2022				
	A	B	C	D	E	F	G	H	
<u>2022 Projects</u>									
Replace/Upgrade Communications Equipment	\$ -	\$ 114	\$ 114	\$ -	\$ 121	\$ -	\$ 121	\$ 7	
	\$ -	\$ 114	\$ 114	\$ -	\$ 121	\$ -	\$ 121	\$ 7	
<u>2021 Projects</u>									
Fibre Optic Cable Builds	\$ 350	\$ -	\$ 350	\$ 238	\$ 94	\$ 105	\$ 437	\$ 87	
	\$ 350	\$ -	\$ 350	\$ 238	\$ 94	\$ 105	\$ 437	\$ 87	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2021
- Column B Approved Capital Budget for 2022
- Column C Total of Columns A and B
- Column D Actual Capital Expenditure for 2021
- Column E Actual Capital Expenditure for 2022
- Column F Capital Projects Carried Forward to 2023
- Column G Total of Columns D, E and F
- Column H Column G less Column C

**2022 Capital Expenditure Report
(000s)**

Category: Information Systems

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2021	2022	Total	2021	2022				
	A	B	C	D	E	F	G	H	
<u>2022 Projects</u>									
Application Enhancements	\$ -	\$ 1,007	\$ 1,007	\$ -	\$ 1,083	\$ -	\$ 1,083	\$ 76	
System Upgrades	-	557	557	-	574	-	574	17	
Personal Computer Infrastructure	-	615	615	-	702	-	702	87	
Shared Server Infrastructure	-	613	613	-	664	-	664	51	
Network Infrastructure	-	508	508	-	377	170	547	39	
Cybersecurity Upgrades	-	865	865	-	954	-	954	89	
	<u>\$ -</u>	<u>\$ 4,165</u>	<u>\$ 4,165</u>	<u>\$ -</u>	<u>\$ 4,354</u>	<u>\$ 170</u>	<u>\$ 4,524</u>	<u>\$ 359</u>	
<u>2021 Projects</u>									
Application Enhancements	\$ 978	\$ -	\$ 978	\$ 852	\$ 59	\$ 130	\$ 1,041	\$ 63	
Network Infrastructure	363	-	363	316	99	-	415	52	
	<u>\$ 1,341</u>	<u>\$ -</u>	<u>\$ 1,341</u>	<u>\$ 1,168</u>	<u>\$ 158</u>	<u>\$ 130</u>	<u>\$ 1,456</u>	<u>\$ 115</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2021
Column B	Approved Capital Budget for 2022
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2021
Column E	Actual Capital Expenditure for 2022
Column F	Capital Projects Carried Forward to 2023
Column G	Total of Columns D, E and F
Column H	Column G less Column C

2022 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>2022</u>	<u>Total</u>	<u>2022</u>				
	A	B	C	D	E	F	
<u>2022 Projects</u>							
Allowance for Unforeseen Items	\$ 750	\$ 750	\$ -	\$ -	\$ -	\$ (750)	12
	<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 2022
 Column B Total of Column A
 Column C Actual Capital Expenditure for 2022
 Column D Capital Projects Carried Forward to 2023
 Column E Total of Columns C and D
 Column F Column E less Column B

2022 Capital Expenditure Report (000s)

Category: General Expenses Capitalized

	Capital Budget		Actual	Carryover	Total	Variance	Notes*
	2022	Total	Expenditure				
<u>2022 Projects</u>	A	B	2022	D	E	F	
General Expenses Capitalized	\$ 6,500	\$ 6,500	\$ 7,159	\$ -	\$ 7,159	\$ 659	13
	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 7,159</u>	<u>\$ -</u>	<u>\$ 7,159</u>	<u>\$ 659</u>	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2022
- Column B Total of Column A
- Column C Actual Capital Expenditure for 2022
- Column D Capital Projects Carried Forward to 2023
- Column E Total of Columns C and D
- Column F Column E less Column B

**2022 Capital Expenditure Report
Multi-Year Projects
(000s)**

Category: Multi-Year Projects

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2020 - 2021	2022	Total	2020 - 2021	2022				
	A	B	C	D	E				
2022 Component									
Generation - Hydro									
Sandy Brook Plant Penstock Replacement	\$ -	\$ 400	\$ 400	\$ -	\$ 275	\$ -	\$ 275	\$ (125)	
Transmission									
Transmission Line 94L Rebuild	-	4,473	4,473	-	552	3,921	4,473	-	
Transportation									
Replace Vehicles and Aerial Devices 2022-2023	-	3,089	3,089	-	1,754	1,335	3,089	-	
Telecommunications									
St. John's Teleprotection System Replacement	-	450	450	-	89	361	450	-	
Information Systems									
Workforce Management System Replacement	-	808	808	-	840	-	840	32	
Microsoft Enterprise Agreement	-	245	245	-	303	-	303	58	
Customer Service System Replacement	-	15,826	15,826	-	3,966	11,860	15,826	-	
	<u>\$ -</u>	<u>\$ 25,291</u>	<u>\$ 25,291</u>	<u>\$ -</u>	<u>\$ 7,779</u>	<u>\$ 17,477</u>	<u>\$ 25,256</u>	<u>\$ (35)</u>	
2020 - 2021 Component									
Information Systems									
Customer Service System Replacement	\$ 9,903	\$ -	\$ 9,903	\$ 2,810	\$ 7,093	\$ -	\$ 9,903	\$ -	
Generation - Hydro									
Topsail Hydro Plant Refurbishment	9,859	-	9,859	8,079	209	-	8,288	(1,571)	14
	<u>\$ 19,762</u>	<u>\$ -</u>	<u>\$ 19,762</u>	<u>\$ 10,889</u>	<u>\$ 7,302</u>	<u>\$ -</u>	<u>\$ 18,191</u>	<u>\$ (1,571)</u>	

* See Appendix A for notes containing variance explanations.

Column A Approved Capital Budget for 2020 - 2021
Column B Approved Capital Budget for 2022
Column C Total of Columns A and B
Column D Actual Capital Expenditure for 2020 - 2021
Column E Actual Capital Expenditure for 2022
Column F Capital Projects Carried Forward to 2023
Column G Total of Columns D, E and F
Column H Column G less Column C

Substations

1. *Substations Refurbishment and Modernization:*

Budget: \$7,049,000

Actual: \$9,135,000

Variance: \$2,086,000

In 2022, the capital expenditure for the *Substations Refurbishment and Modernization* project was \$2,086,000, or 30%, higher than the budget estimate. This increase was due primarily to higher material costs and contractor labour costs compared to budget estimates. In addition, unexpected site-related issues at the Glovertown and Humber Substations led to construction delays and additional costs for unplanned work.

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

Budget: \$3,691,000

Actual: \$4,562,000

Variance: \$871,000

The budget estimate for the *Replacements Due to In-Service Failures* program was based on historical averages over the most recent five-year period. The capital expenditure in 2022 was \$871,000, or 24%, higher than the budget estimate. The increase was largely due to repairs required for the DUN-T1 power transformer and costs associated with corporate spares that were higher than the historical average.

3. *PCB Bushing Phase-out:*

Budget: \$899,000

Actual: \$499,000

Variance: (\$400,000)

In 2022, the capital expenditure for the *PCB Bushing Phase-out* project was lower than plan by \$400,000 due to lower than anticipated breaker and transformer bushing replacements and less engineering work than anticipated in the project scope.

Transmission4. *Transmission Line Rebuild (124L):*

Budget: \$6,021,000 Actual: \$8,626,000 Variance: \$2,605,000

In 2022, the actual expenditure for the *Transmission Line Rebuild (124L)* project was \$2,605,000, or 43%, higher than the budget estimate resulting primarily from higher material and contractor labour costs.

Materials and construction labour costs were higher than anticipated for the rebuild of Transmission Line 124L as a result of increased site work requirements. This was primarily the result of the requirement to install a larger number of bog structures and dead-end structures than anticipated due to terrain conditions and unanticipated environmental conditions. There were also construction delays and additional contractor labour costs due to additional environmental permitting and approval requirements.

5. *Transmission Line Extension – 35L (2021 Project):*

Budget: \$1,343,000 Actual: \$2,222,000 Variance: \$879,000

In 2022, actual expenditure on the *Transmission Line Extension – 35L* project was \$879,000, or 65%, higher than the budget estimate resulting from an increase in materials and contract labour costs.

The budget estimate for the *Transmission Line Extension – 35L* project was based on engineering cost estimates. Original cost estimates were based on building six kilometres of transmission line and construction using wood poles. Due to land and right-of-way issues, the new line extension was ultimately routed closer to Winsor Lake, a public water supply. This change in location resulted in a requirement to construct eight kilometres of transmission line using steel poles rather than treated wood poles, which increased the cost of materials and contract labour for the project.

Distribution6. *Extensions:*

Budget: \$10,333,000 Actual: \$12,489,000 Variance: \$2,156,000

The *Extensions* program budget is determined based on the forecast number of new customer connections and the average historical cost of constructing extensions. In 2022, the actual capital expenditure for the *Extensions* program was \$2,156,000, or 21%, higher than the budget estimate.

The *Extensions* program includes the cost of extending existing lines to connect new customers. The amount spent varies based on the number of new customers connected and the amount of new line that must be built to connect those customers. The Company had forecast 2,038 new customer connections for 2022. The actual number of connections was 2,646, or 30% above plan, resulting in increased expenditures.

7. *Services:*

Budget: \$3,038,000 Actual: \$3,697,000 Variance: \$659,000

The actual expenditure for the *Services* program was \$659,000, or 22%, higher than the budget estimate.

The *Services* program budget estimate is determined based on the forecast number of new customer connections, the average historical cost of connecting a new customer, and the average cost of replacing existing services over the last five years. The budget was based on 2,038 new customer connections for 2022. Actual customer connections were 2,646, or 30% above plan. The higher number of new customer connections resulted in increased expenditures.

Distribution

8. *Street Lighting:*
 Budget: \$2,507,000 Actual: \$3,146,000 Variance: \$639,000

The actual capital expenditure for the *Street Lighting* project was \$639,000, or 25%, more than the budget estimate. The 2022 budget was based on historical average costs over the most recent five-year period and included the addition of \$225,000 for the replacement of overhead and underground wiring.¹

Capital expenditures for overhead and underground wiring replacements were \$712,000 higher than anticipated as a result of higher dedicated street light pole replacements in comparison to the historical average. Capital expenditures for new street lights were in line with the historical average.

9. *Transformers:*
 Budget: \$5,958,000 Actual: \$7,307,000 Variance: \$1,349,000

For 2022, the actual expenditure required for transformer purchases was \$1,349,000, or 23%, higher than the budget estimate. This increase is largely due to supply chain issues resulting in material cost increases and the requirement to ensure an adequate supply of inventory. In addition, actual customer connections were 30% higher than plan, which resulted in increased transformer requirements.

10. *Trunk Feeders – Humber 4.16 kV Conversion:*
 Budget: \$1,355,000 Actual: \$910,000 Variance: (\$445,000)

In 2022, the *Trunk Feeders- Humber 4.16 kV Conversion* project was \$445,000 lower than plan. Work associated with the voltage conversion of the 4.16 kV feeders in Humber was less than anticipated in the project scope and conversion of all three Humber 4.16 kV feeders to 12.5 kV was completed ahead of schedule and under budget.

¹ See the 2022 Capital Budget Application, Schedule B, page 33.

Transportation

11. *Purchase Vehicles and Aerial Devices (2021 Project):*

Budget: \$4,032,000

Actual: \$4,555,000

Variance: \$523,000

The actual capital expenditure for the *Purchase Vehicles and Aerial Devices* project was \$523,000, or 13%, higher than the budget estimate. This is attributed primarily to vendor pricing increases resulting from supply chain disruptions affecting the price of raw materials and parts and a manufacturer labour shortage.

The Company has not received the heavy fleet vehicles ordered under the *Purchase Vehicles and Aerial Devices* project from 2021. The original pricing remained in place for the cab and chassis units, but due to the long delivery times the cost for the five aerial devices has incurred an 18% pricing increase per unit.

In 2022, supply chain issues and inflation have impacted availability and cost of all vehicles. Manufacturers have reduced fleet incentives and reduced production of vehicles, leading to higher prices for available models.

Unforeseen Allowance

12. *Allowance for Unforeseen Items:*

Budget: \$750,000

Actual: \$0

Variance: (\$750,000)

No expenditure was required for this project in 2022.

General Expenses Capitalized

13. *General Expenses Capitalized:*

Budget: \$6,500,000

Actual: \$7,159,000

Variance: \$659,000

In 2022, actual capital expenditures for General Expenses Capitalized were \$659,000, or 10%, higher than the budget estimate resulting primarily from inflationary increases and additional labour costs for capital planning.

Multi-Year Projects

14. *Topsail Hydro Plant Refurbishment (2020 – 2021 Multi-Year Project):*
Budget: \$9,859,000 Actual: \$8,288,000 Variance: (\$1,571,000)

The *Topsail Hydro Plant Refurbishment* project was a multi-year project that commenced in 2020. Actual capital expenditures were \$8,288,000 including \$209,000 carried over into 2022. The overall reduction in expenditure of \$1,571,000 associated with the *Topsail Hydro Plant Refurbishment* project was largely due to better than expected contract pricing through the tendering process.