

- 1 **Q. (Reference Application, 2022 Capital Plan, 2022 Capital Budget Summary, Schedule**
 2 **A, page 1 of 4)**
 3
- 4 a) Please provide a detailed description of the procedure used to respond to
 5 unanticipated capital expenditures that arise during a fiscal year after the capital
 6 budget has been approved.
- 7 b) Please provide a detailed description of the procedure used to respond to changes
 8 in circumstances of information that result in a modification in the economic
 9 justification of a capital project that eliminates the need to proceed with eh [sic]
 10 project in that fiscal year.
- 11 c) For each of the past three fiscal years, please provide a list of all capital projects
 12 that that were (i) undertaken although not included in the capital budget as filed
 13 for that year, (ii) not completed although included in the capital budget as filed for
 14 that year, and (iii) modified in terms of the work completed or cost as compared
 15 to the project details included in the capital budget as filed for that year.
- 16
- 17 A. a) The procedure used to respond to unanticipated capital expenditures is provided in
 18 Section B - Supplemental Capital Expenditures of the *Capital Budget Application*
 19 *Guidelines*. This section addresses the procedures to be followed for both an
 20 application for approval of supplemental capital expenditures and the allowance for
 21 unforeseen items.
- 22
- 23 b) The procedure used to respond to changes in circumstances that result in a
 24 modification in the economic justification of a capital project is described in Section
 25 C - General of the *Capital Budget Application Guidelines*. This section requires a
 26 utility to file an annual capital expenditure report. The report must explain any
 27 variances in costs where the variance is more than \$100,000 or 10% of the budget
 28 estimate. Where applicable, the report must confirm that a change in project scope or
 29 cost did not materially affect the economic justification for a project.
- 30
- 31 c) Table 1 provides a list of all capital projects that that were undertaken although not
 32 included in the capital budget as filed for the past 3 fiscal years.

Table 1
Unanticipated Capital Expenditures
(2018 to 2020)

Year	Board Order	Description
2018	P.U. 28 (2018)	Duffy Place Roof Replacement
2018	Allowance for Unforeseen	Refurbish Mobile Diesel No. 3
2019	P.U. 5 (2019)	Construct Substation on MUN Campus
2019	P.U. 6 (2019)	PEP Load Growth Transformer
2019	P.U. 36 (2019)	Cottles Island Lumber Company Transmission Line Relocation

1 For the past 3 fiscal years, there were no capital projects that were not completed
2 although included in the capital budget as filed.

3
4 Modifications to the scope or cost of capital projects are explained in Newfoundland
5 Power's annual capital expenditure report. Attachments A, B and C provide the
6 Company's annual capital expenditure reports for the last 3 fiscal years.

Newfoundland Power
2018 Capital Expenditure Report

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HAND DELIVERED

March 8, 2019

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: 2018 Capital Expenditure Report

Enclosed herewith are the original and nine copies of a corrected version of Newfoundland Power Inc.'s 2018 Capital Expenditure Report (the "Report"). The enclosure corrects a typographical error on page 1 of 14 of the Report filed on March 1, 2019. A copy of the corrected page, indicating the correction by shading, is also enclosed for ease of reference.

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

Yours very truly,

A handwritten signature in blue ink, appearing to read "Gerard M. Hayes".

Gerard M. Hayes
Senior Counsel

Enclosures

c: Shirley Walsh
Newfoundland and Labrador Hydro

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6
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**Newfoundland Power Inc.
2018 Capital Budget Variances
(000s)**

	Approved¹	Actual	Variance
Generation - Hydro	\$2,119	\$2,478 ²	\$359
Generation - Thermal	6,301	6,456 ³	155
Substations	12,788	12,662	(126)
Transmission	7,168	7,806	638
Distribution	38,857	42,333	3,476
General Property	2,663	2,722 ⁴	59
Transportation	3,362	3,594	232
Telecommunications	198	325	127
Information Systems	6,570	6,620 ⁵	50
Unforeseen Allowance	750	260	(490)
General Expenses Capitalized	4,000	3,854	(146)
Total	\$84,776	\$89,110	\$4,334
Projects carried forward from 2017		\$5,813 ⁶	

¹ Approved by Order Nos. P.U. 37 (2017), P.U. 28(2018).

² Includes forecast expenditure of \$130,000 for *Facility Rehabilitation* carried into 2019.

³ Includes forecast expenditure of \$1,595,000 for the *Purchase of Mobile Generation* carried forward into 2019.

⁴ Includes forecast expenditure of \$498,000 for the *Duffy Place Roof Replacement* carried forward into 2019.

⁵ Includes forecast expenditure of \$602,000 for the *Outage Management System* carried forward into 2019.

⁶ Actual 2018 expenditures associated with projects carried forward from 2017.

2018 Capital Expenditure Report

March 1, 2019

(filed in compliance with Order No. P.U. 37 (2017))

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We'll be there.

NEWFOUNDLAND
POWER
A FORTIS COMPANY

Newfoundland Power Inc.

2018 Capital Expenditure Report

Explanatory Note

This report is presented in compliance with the directive of the Board of Commissioners of Public Utilities (the “Board”) contained in paragraph 5 of Order No. P.U. 37 (2017).

Page 1 of the 2018 Capital Expenditure Report outlines the variances from budget of the capital expenditures approved by the Board in Order No. P.U. 37 (2017). The detailed tables on pages 2 through 14 provide additional detail on capital expenditures in 2018, and also include information on those capital projects approved for 2017 that were not completed prior to 2018. Page 14 provides additional detail on multi-year projects underway in 2018.

Variances of more than 10% of approved expenditure and \$100,000 or greater are explained in the Notes contained in Appendix A, which immediately follows at the conclusion of the 2018 Capital Expenditure Report. The variance criteria are as outlined in the *Capital Budget Application Guidelines*.

**Newfoundland Power Inc.
2018 Capital Budget Variances
(000s)**

	Approved¹	Actual	Variance
Generation - Hydro	\$2,119	\$2,478 ²	\$359
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² Includes forecast expenditure of \$130,000 for *Facility Rehabilitation* carried into 2019.

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⁴ Includes forecast expenditure of \$498,000 for the *Duffy Place Roof Replacement* carried forward into 2019.

⁵ Includes forecast expenditure of \$602,000 for the *Outage Management System* carried forward into 2019.

⁶ Actual 2018 expenditures associated with projects carried forward from 2017.

Generation - Hydro1. *Facility Rehabilitation:*

Budget: \$2,119,000 Actual: \$2,478,000 Variance: \$359,000

Total expenditure on the *Facility Rehabilitation* project was \$359,000 higher than budget. The actual cost associated with *Second Storage Pond Dam* refurbishment (\$197,000) and *Tors Cove Access Road Bridge Replacement* (\$146,000) projects were higher than budget due to poor foundation material found during excavation, requiring additional fill material and larger concrete abutments. Additional costs were also incurred on the *Rocky Pond Turbine Bearing Replacement* project due to alignment issues encountered when the generator was reassembled.

2. *Facility Rehabilitation (2017 Project):*

Budget: \$1,607,000 Actual: \$1,442,000 Variance: (\$165,000)

The expenditure on the *Facilities Rehabilitation (2017 Project)* project was \$165,000 less than budget. Detailed engineering on the *West Brook Forebay Dam and Spillway Refurbishment* project revealed less concrete deterioration than initially anticipated. This resulted in a reduced project scope and lower costs.

3. *Rose Blanche Plant Refurbishment (2017 Project):*

Budget: \$3,281,000 Actual: \$2,663,000 Variance: (\$618,000)

The expenditure on the *Rose Blanche Plant Refurbishment* project was \$618,000 less than budget. The project included contingency for additional slope stabilization that ultimately was not required. In addition, the turbine rehabilitation expenditure was less than budgeted because an anticipated need for contractor assistance with the turbine reassembly was not required.

4. *Tors Cove Plant Refurbishment (2017 Project):*

Budget: \$1,476,000 Actual: \$1,182,000 Variance: (\$294,000)

The expenditure on the *Tors Cove Plant Refurbishment* project was \$294,000 less than budget. Tors Cove Hydro Plant has 3 generating units, 2 of which are fully automated and under remote control through SCADA. Unit G1 is not automated and must be controlled on site by a plant operator. The Company has deferred consideration of the automation of Unit G1 due to higher priority projects. As a consequence, the Company decided to remove the valve replacement aspect of the 2017 project from the project scope, resulting in a lower 2017 expenditure.

Generation Thermal

5. *Facilities Rehabilitation Thermal:*

Budget: \$301,000

Actual: \$408,000

Variance: \$107,000

The expenditure on the *Facilities Rehabilitation Thermal* project was \$107,000 more than budget due to the required replacement of a failed engine fuel pump on the Wesleyville Gas Turbine and a starting motor on the Mobile Gas Turbine. These failures both occurred late in 2018.

Transmission

6. *Transmission Line Rebuild:*
Budget: \$2,100,000 Actual: \$2,779,000 Variance: \$679,000

The expenditure on the *Transmission Line Rebuild* project was \$679,000 more than budget. The *Transmission Line Rebuild* project budget included a \$2,100,000 estimate for addressing deficiencies identified during inspections.¹ The estimate was based on average historical expenditures. The actual work required in 2018 as determined by the annual inspections was greater than the average historical amount.

¹ Item 6 refers to the 2018 project for the replacement of transmission line components arising from annual inspections or as a result of in-service failures (\$2,100,000). It does not include the 2018 expenditures associated with the multi-year projects to rebuild transmission lines 302L (\$2,068,000) and 363L (\$3,000,000).

2018 Capital Expenditure Report: Notes

Distribution

7. *Meters:*
Budget: \$546,000 Actual: \$884,000 Variance: \$338,000

The expenditure on the *Meters* project was \$338,000 more than budget. In 2017, the Company achieved 100% penetration of AMR meters, concluding an accelerated program of AMR meter installation. With the conclusion of the accelerated program, the annual capital budget for meters dropped by almost \$4,000,000. The historical average unit cost upon which the 2018 capital budget estimate was based reflects economies of scale associated with the larger number of meters replaced during the accelerated program.² In addition to the effect of reduced economies of scale, the cost associated with higher cost metering components such as current and potential transformers had a larger impact on the overall unit cost of the much smaller program. These changes in the cost composition of the *Meters* budget were the principal contributors to the variance.

8. *Services:*
Budget: \$3,200,000 Actual: \$3,811,000 Variance: \$611,000

The expenditure on the *Services* project was \$611,000 more than budget. The 2018 variance is attributed to three principal factors. First, distribution systems in some new residential subdivisions were constructed using the new front-lot hybrid construction configuration. In this configuration, the secondary wires, the costs of which are included in *Extensions*, are replaced by underground wiring in conduit, the cost of which is included in the *Services* project.³ Second, in recent years, more customers are choosing to install underground services, which are more costly to construct than aerial services.⁴ Finally, while overall gross customer connections have declined, the number of higher cost general service connections has remained relatively constant. As a result, the average cost of new services has increased.⁵

² Over the 5-year period from 2013 to 2017, an average of 38,500 meters were replaced each year.

³ Secondary wires are included in the *Extensions* project for aerial construction. In 2018, the *Extensions* costs were \$464,000 less than budget.

⁴ The cost difference between aerial and underground services is charged to the customer making the request.

⁵ Typically, it costs more to install a service for a general service customer than for a domestic customer.

Distribution

9. *Street Lighting:*
Budget: \$1,814,000 Actual: \$3,062,000 Variance: \$1,248,000

The expenditure on the *Street Lighting* project was \$1,248,000 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 2,465. Despite declining new customer connections, the number of street lights installed in 2018 was 3,221, or 31% higher than the 5-year average.⁶ Table 1 provides a breakdown of street lighting installation data for St. John’s and the remainder of the Company’s service territory.

Distribution

Table 1 – Street Light Installations

	St. John’s	Remainder	Total
5-year Avg.	1,052	1,413	2,465
2018	1,866	1,355	3,221

In 2018, the installation of street lights in rural areas declined, while installations in St. John’s increased. The average cost to install a street light in and around St. John’s is typically higher than in other parts of the Company’s service territory. Back-lot construction in most of St. John’s and surrounding area requires the installation of roadside steel poles and underground wiring. In other areas, existing roadside poles with aerial wiring are typically utilized. This is a lower cost configuration, as compared to using dedicated poles and underground wiring.

10. *Reconstruction*
Budget: \$5,366,000 Actual: \$5,903,000 Variance: \$537,000

The expenditure on the *Reconstruction* project was \$537,000 more than budget, primarily as a result of an above-average amount of work being completed under this project. The budgeted expenditure is based on the average historical expenditure over the previous 5 years. In 2018, the total cost of high priority work identified by the Company’s inspection program, and required follow-up from operational problems, exceeded the historical 5-year average.

⁶ As the installation of street lighting is typically the last phase of construction in subdivisions, the cost associated with street lighting often lags the other costs associated with new customer connections.

2018 Capital Expenditure Report: Notes

Distribution**11. Rebuild Distribution Lines:**

Budget: \$3,844,000 Actual: \$4,429,000 Variance: \$585,000

The expenditure on the *Rebuild Distribution Lines* project was \$585,000 more than budget. This Distribution project involves the replacement of deteriorated distribution structures identified through the Company's ongoing preventative maintenance program. The expenditure is budgeted based on average historical expenditures over the previous 5 years. Actual 2018 *Rebuild Distribution Lines* expenditures were higher than budget due to the identification of work requirements that exceeded the historical average.

12. Relocate/Replace Distribution Lines for Third Parties:

Budget: \$2,317,000 Actual: \$3,177,000 Variance: \$860,000

The expenditure on the *Relocate/Replace Distribution Lines for Third Parties* project was \$860,000 more than budget. The budget is based on the 5-year historical average expenditure. The actual expenditure is largely driven by the capital programs of the Company's joint use partners. In 2018, these joint use partners significantly increased their capital programs. As a result, the amount of distribution plant requiring upgrade to accommodate joint use requirements exceeded the historical average.

13. Trunk Feeders (2017 Project):

Budget: \$1,834,000 Actual: \$1,295,000 Variance: (\$539,000)

The expenditure on the 2017 *Trunk Feeders* project was \$539,000 less than budget. The cost of back lot work for the King's Bridge Substation conversion project was reduced when the Company was able to source and utilize specialized equipment designed for work in customers' yards. Also, the final design of the King's Bridge Substation conversion project included less underground infrastructure than originally planned. Finally, the vault replacement at the Terra Nova Tel building was not completed. The building owner advised of plans to renovate the building in 2018, eliminating the need for an upgrade at this time.

14. Meters (2017 Project):

Budget: \$4,391,000 Actual: \$3,925,000 Variance: (\$466,000)

The expenditure on the 2017 *Meters* project was \$466,000 less than budget. The *Meters* budget estimate is based on the projected number of new customer connections multiplied by the average annual cost per customer over the past 5 years. A large portion of the AMR meters installed in 2017 were located in urban areas. The higher urban population density resulted in a lower average installation cost than prior years. Also, a higher availability of Company employees to complete the installations resulted in lower costs than anticipated.

General Property

15. *Security Fencing Refurbishment:*
Budget: \$315,000 Actual: \$197,000 Variance: (\$118,000)

The expenditure on the *Security Fencing Refurbishment* project was \$118,000 less than budget. When detailed inspections were completed, the requirement to replace fencing material was less than anticipated.

Transportation

16. *Purchase Vehicles and Aerial Devices (2017 Project):*
Budget: \$3,456,000 Actual: \$3,824,000 Variance: \$368,000

The variance of \$368,000 is largely attributed to a heavy fleet vehicle originally budgeted for purchase in 2017, but delivered in 2018. During acceptance testing, it was determined that the vehicle as constructed did not meet the cab and chassis specification required for the weight of the aerial device. The necessary modifications delayed delivery, and increased the overall cost of the vehicle. The remainder of the variance is related to inflation and cost changes associated with the mix of passenger and off road vehicles purchased.

Telecommunications

17. *Fibre Optic Network:*
Budget: \$99,000 Actual: \$227,000 Variance: \$128,000

The expenditure on the *Fibre Optic Network* project was \$128,000 more than budget. In 2018, the Company added another cable to its fibre optic network connecting substations in Corner Brook. The original budget estimate was based on installing the cable along the shortest route between substations. To avoid expensive distribution line upgrades due to clearance issues, an alternate longer route was chosen as the final design. While the alternate route increased the fibre cable installation cost, it resulted in a lower distribution line upgrade cost and was the least cost option overall.⁷

⁷ The distribution work associated with the installation and relocation of communications cables used by the Company's various protection and control systems is included in the *Relocate/Replace Distribution Lines for Third Parties* Distribution project. The Company will typically seek quotes for rented/leased fibre optic capacity from its joint use partners. These quotes will not include the Company's cost to upgrade distribution plant to accommodate fibre optic cable to be rented/leased by these joint use partners to the Company. To ensure a fair comparison between owned or rented/leased fibre optic cable alternatives, the Company treats the cost to upgrade distribution plant similarly across both alternatives.

Unforeseen Allowance

18. *Allowance for Unforeseen Items:*

Budget: \$750,000 Actual: \$260,000 Variance: (\$490,000)

The *Allowance for Unforeseen Items* is used as required. The \$260,000 expenditure was related to the refurbishment of the Company's mobile diesel generator to address water damage sustained during the summer of 2018. The remaining allowance of \$490,000 was not required to be used in 2018.

**Newfoundland Power
2019 Capital Expenditure Report**

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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 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	2018	2019			
	A	B	D	E	F	G	H
2019 Projects	\$ -	\$ 100,856	\$ -	\$ 103,417	\$ 2,879	\$ 106,296	\$ 5,440
2018 Projects	\$ 17,114	\$ -	\$ 14,670	\$ 3,149	\$ -	\$ 17,819	\$ 705
Grand Total	\$ 17,114	\$ 100,856	\$ 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	2018	2019				
A	B	C	D	E	F	G	H	
2019 Projects								
Facility Rehabilitation	\$ -	\$ 1,502	\$ -	\$ 1,584	\$ -	\$ 1,584	\$ 82	
Rattling Brook Plant Refurbishment	-	1,161	-	1,026	-	1,026	(135)	1
	\$ -	\$ 2,663	\$ -	\$ 2,610	\$ -	\$ 2,610	\$ (53)	
2018 Projects								
Facility Rehabilitation	\$ 2,119	\$ -	\$ 2,348	\$ 253	\$ -	\$ 2,601	\$ 482	2
	\$ 2,119	\$ -	\$ 2,348	\$ 253	\$ -	\$ 2,601	\$ 482	

* 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

2019 Projects		Capital Budget		Actual Expenditure		Carryover		Total		Variance		Notes*	
2019	A	Total	B	2019	C	2019	D	Total	E	F	F	Notes*	
\$	327	\$	327	\$	165	\$	-	\$	165	\$	(162)		3
\$	327	\$	327	\$	165	\$	-	\$	165	\$	(162)		

* 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 Expenditure		Carryover	Total	Variance	Notes*
	2019	Total	2019	Total				
	A	B	C	E	D	F		
2019 Projects								
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	
OSP 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>\$ 17,133</u>	<u>-</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 Expenditure		Carryover	Total	Variance	Notes*
	2019	Total	2019					
A	B	C	D	E	F			
2019 Projects								
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 Expenditure 2019	Carryover	Total	Variance	Notes*
	2019	Total					
	A	B	C	D	E	F	
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	-	
	\$ 40,151	\$ 40,151	\$ 46,801	\$ -	\$ 46,801	\$ 6,650	

* 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
	\$ -	\$ 2,630	\$ 2,630	\$ -	\$ 2,319	\$ 530	\$ 2,849	\$ 219	
2018 Projects									
Duffy Place Roof Replacement	900	-	900	402	699	-	1,101	201	18
	\$ 900	\$ -	\$ 900	\$ 402	\$ 699	\$ -	\$ 1,101	\$ 201	

* 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

	Capital Budget		Actual Expenditure		Carryover	Total	Variance	Notes*
	2019	Total	2019					
	A	B	C		D	E	F	
2019 Projects								
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
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Column E	Total of Columns C and D
Column F	Column E less Column B

2019 Capital Expenditure Report
(000s)

Category: Telecommunications

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

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

2019 Projects

Allowance for Unforeseen Items

* 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 2019	Total B	Actual Expenditure 2019	C	Carryover D	Total E	Variance F	Notes*
A								
2019 Projects								
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	Total	Variance	Notes*
	2018	2019	2018	2019				
A	B	C	D	E	F	G	H	
<u>2019 Component</u>								
<u>Generation - Thermal</u>								
Purchase Mobile Generation	\$ -	\$ 7,915	\$ -	\$ 7,131	\$ 150	\$ 7,281	\$ (634)	
<u>Transmission</u>								
Rebuild Transmission Lines	-	6,359	-	5,916	-	5,916	(443)	
<u>Information Systems</u>								
System Upgrades	-	245	-	215	-	215	(30)	
Outage Management System Replacement	-	1,210	-	1,376	-	1,376	166	
Human Resource Management System Replacement	-	1,215	-	1,244	73	1,317	102	
	<u>-</u>	<u>16,944</u>	<u>16,944</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	\$ -	\$ 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>-</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
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 Column G Total of Columns D, E and F
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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.

Transmission

8. *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.

Distribution

10. *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 Property

16. *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 Systems

19. *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.

**Newfoundland Power
2020 Capital Expenditure Report**

WHENEVER. WHEREVER.
We'll be there.



February 26, 2021

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: 2020 Capital Expenditure Report

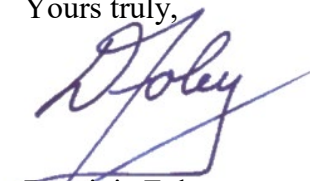
In accordance with the Board's February 12, 2021 notice regarding the activation of its Business Continuity Plan to address the COVID-19 pandemic, Newfoundland Power is providing its *2020 Capital Expenditure Report* (the "Report") in electronic format only. The Report is presented in compliance with Order No. P.U. 5 (2020).

The Report provides information on capital expenditures approved in Order Nos. P.U. 37 (2017), P.U. 35 (2018) and P.U. 5 (2020), including actual expenditures to December 31, 2020 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,



Dominic Foley
Legal Counsel

Enclosure

cc. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, Q.C.
Browne Fitzgerald Morgan Avis

Newfoundland Power Inc.

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

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2020 Capital Expenditure Report

February 26, 2021

(Filed in compliance with Order No. P.U. 5 (2020))

WHENEVER. WHEREVER.
We'll be there.



Newfoundland Power Inc.

2020 Capital Expenditure Report

Explanatory Note

This report is filed in compliance with Order No. P.U. 5 (2020) of the Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”).

Page 1 of the *2020 Capital Expenditure Report* outlines variances from budget of the capital expenditures approved by the Board in Order Nos. P.U. 37 (2017), P.U. 35 (2018) and P.U. 5 (2020). The tables on pages 2 through 14 provide additional detail on capital expenditures in 2020, and also include information on capital projects approved for 2018 and 2019 that were not completed prior to 2020. Page 14 provides additional detail on multi-year projects underway in 2020.

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.
2020 Capital Budget Variances
(000s)

	Approved ¹	Actual	Variance
Generation - Hydro	\$6,849	\$6,762 ²	(\$87)
Generation - Thermal	349	333	(16)
Substations	15,204	14,732 ³	(472)
Transmission	9,623	9,948 ⁴	325
Distribution	44,623	44,897 ⁵	274
General Property	2,467	2,473 ⁶	6
Transportation	3,869	3,869 ⁷	0
Telecommunications	108	112	4
Information Systems	6,772	7,282 ⁸	510
Unforeseen Allowance	750	0	(750)
General Expenses Capitalized	6,000	6,578	578
Total	\$96,614	\$96,986	\$372
Projects carried forward from 2019		\$3,175 ⁹	

¹ Approved in Order No. P.U. 5 (2020).

² Includes forecast expenditure of \$4,638,000 for *Generation – Hydro* projects carried forward into 2021.

³ Includes forecast expenditure of \$215,000 for the *Substation Feeder Termination* project carried forward into 2021.

⁴ Includes forecast expenditure of \$1,946,000 for the *Transmission Line Rebuild* project carried forward into 2021.

⁵ Includes forecast expenditure of \$2,492,000 for *Distribution* projects carried forward into 2021.

⁶ Includes forecast expenditure of \$90,000 for the *Company Building Renovations* project carried forward into 2021.

⁷ Includes forecast expenditure of \$1,615,000 for the *Purchase Vehicles and Aerial Devices* project carried forward into 2021.

⁸ Includes forecast expenditure of \$543,000 for *Information Systems* projects carried forward into 2021.

⁹ Actual 2020 expenditures associated with projects carried forward from 2019.

2020 Capital Expenditure Report
(000s)

	Capital Budget		Actual Expenditure		Carryover	Total	Variance
	2018-2019	2020	2018-2019	2020			
	A	B	D	E	F	G	H
2020 Projects	\$ -	\$ 96,614	\$ -	\$ 85,447	\$ 11,539	\$ 96,986	\$ 372
2019 Projects	\$ 22,637	\$ -	\$ 19,843	\$ 3,075	\$ 100	\$ 23,018	\$ 381
Grand Total	\$ 22,637	\$ 96,614	\$ 19,843	\$ 88,522	\$ 11,639	\$ 120,004	\$ 753

Column A Approved Capital Budget for 2018-2019
 Column B Approved Capital Budget for 2020
 Column C Total of Columns A and B
 Column D Actual Capital Expenditure for 2018-2019
 Column E Actual Capital Expenditure for 2020
 Column F Capital Projects Carried Forward to 2021
 Column G Total of Columns D, E and F
 Column H Column G less Column C

2020 Capital Expenditure Report
(000s)

Category: Generation - Hydro

	Capital Budget			Actual Expenditure		Variance	Notes*
	2020	Total	2020	Carryover	Total		
A	B	C	D	E	F		
2020 Projects							
Facility Rehabilitation	\$ 1,519	\$ 1,368	\$ 60	\$ 1,428	\$ (91)		
Petty Harbour Plant	3,662	337	3,325	3,662	-		
Rattling Brook Plant Refurbishment	1,183	100	1,083	1,183	-		
	<u>\$ 6,364</u>	<u>\$ 1,805</u>	<u>\$ 4,468</u>	<u>\$ 6,273</u>	<u>\$ (91)</u>		

* See Appendix A for notes containing variance explanations.

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

**2020 Capital Expenditure Report
(000s)**

Category: Generation - Thermal

	Capital Budget	Actual Expenditure	Carryover	Total	Variance	Notes*
2020	Total	2020	D	E	F	
A	B	C				
2020 Projects						
Facility Rehabilitation Thermal	\$ 349	\$ 333	\$ -	\$ 333	\$ (16)	
	\$ 349	\$ 333	\$ -	\$ 333	\$ (16)	

* See Appendix A for notes containing variance explanations.

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

**2020 Capital Expenditure Report
(000s)**

Category: Substations	Capital Budget		Actual Expenditure		Carryover	Total	Variance	Notes*
	2020	Total	2020					
	A	B	C	D	E	F		
2020 Projects								
Substation Refurbishment and Modernization	\$ 10,856	\$ 10,856	\$ 10,018	\$ -	\$ 10,018	\$ (838)		
Replacements Due to In-Service Failures	3,269	3,269	3,684	-	3,684	415		1
PCB Bushing Phaseout	789	789	739	-	739	(50)		
Substation Feeder Termination	290	290	76	215	291	1		
	<u>\$ 15,204</u>	<u>\$ 15,204</u>	<u>\$ 14,517</u>	<u>\$ 215</u>	<u>\$ 14,732</u>	<u>\$ (472)</u>		

* See Appendix A for notes containing variance explanations.

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

**2020 Capital Expenditure Report
(000s)**

Category: Transmission

	Capital Budget		Total	Actual Expenditure		Carryover	Total	Variance	Notes*
	2019	2020		2019	2020				
A	B	C	D	E	F	G	H		
2020 Projects									
Rebuild Transmission Lines	\$ -	\$ 9,623	\$ 9,623	\$ -	\$ 8,002	\$ 1,946	\$ 9,948	\$ 325	
	\$ -	\$ 9,623	\$ 9,623	\$ -	\$ 8,002	\$ 1,946	\$ 9,948	\$ 325	
2019 Projects									
Relocate 114L	\$ 310	\$ -	\$ 310	\$ -	\$ 385	\$ -	\$ 385	\$ 75	
	\$ 310	\$ -	\$ 310	\$ -	\$ 385	\$ -	\$ 385	\$ 75	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Approved Capital Budget for 2020
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2019
Column E	Actual Capital Expenditure for 2020
Column F	Capital Projects Carried Forward to 2021
Column G	Total of Columns D, E and F
Column H	Column G less Column C

**2020 Capital Expenditure Report
(000s)**

Category: Distribution

	Capital Budget		Actual Expenditure		Carryover	Total	Variance	Notes*
	2020	Total	2020					
A	B	C	D	E	F			
2020 Projects								
Extensions	\$ 11,318	\$ 11,318	\$ 10,561	\$ 10,561	-	\$ (757)		
Meters	741	741	832	832	-	91		
Services	3,272	3,272	2,890	2,890	-	(382)		2
Street Lighting	2,635	2,635	3,477	3,477	-	842		3
Transformers	6,581	6,581	5,628	5,628	-	(953)		4
Reconstruction	5,513	5,513	6,275	6,275	-	762		5
Rebuild Distribution Lines	3,985	3,985	4,477	4,477	-	492		6
Relocate/Replace Distribution Lines For Third Parties	2,553	2,553	2,745	2,745	-	192		
Trunk Feeders	2,820	2,820	707	2,050	2,757	(63)		
Feeder Additions for Growth	2,302	2,302	1,718	442	2,160	(142)		
Distribution Reliability Initiative	1,950	1,950	2,139	-	2,139	189		
Distribution Feeder Automation	756	756	722	-	722	(34)		
Allowance for Funds Used During Construction	197	197	234	-	234	37		
	\$ 44,623	\$ 44,623	\$ 42,405	\$ 2,492	\$ 44,897	\$ 274		

* See Appendix A for notes containing variance explanations.

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

**2020 Capital Expenditure Report
(000s)**

Category: General Property

	Capital Budget		Actual Expenditure		Carryover	Total	Variance	Notes*
	2019	2020	2019	2020				
A	B	C	D	E	F	G	H	
2020 Projects								
Tools and Equipment	\$ -	\$ 476	\$ -	\$ 496	\$ -	\$ 496	\$ 20	
Additions to Real Property	-	519	-	485	-	485	(34)	
Company Building Renovations	-	1,172	-	1,116	90	1,206	34	
Physical Security Upgrades	-	300	-	286	-	286	(14)	
	\$ -	\$ 2,467	\$ -	\$ 2,383	\$ 90	\$ 2,473	\$ 6	
2019 Projects								
Company Building Renovations	\$ 1,374	\$ -	\$ 1,374	\$ 543	\$ -	\$ 1,725	\$ 351	7
	\$ 1,374	\$ -	\$ 1,374	\$ 543	\$ -	\$ 1,725	\$ 351	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2019
- Column B Approved Capital Budget for 2020
- Column C Total of Columns A and B
- Column D Actual Capital Expenditure for 2019
- Column E Actual Capital Expenditure for 2020
- Column F Capital Projects Carried Forward to 2021
- Column G Total of Columns D, E and F
- Column H Column G less Column C

**2020 Capital Expenditure Report
(000s)**

Category: Transportation

	Capital Budget		Total	Actual Expenditure		Carryover	Total	Variance	Notes*
	2019	2020		2019	2020				
A	B	C	D	E	F	G	H		
2020 Projects									
Purchase Vehicles and Aerial Devices	\$ -	\$ 3,869	\$ 3,869	\$ -	\$ 2,254	\$ 1,615	\$ 3,869	\$ -	
	\$ -	\$ 3,869	\$ 3,869	\$ -	\$ 2,254	\$ 1,615	\$ 3,869	\$ -	
	\$ 3,990	\$ -	\$ 3,990	\$ 2,648	\$ 1,575	\$ -	\$ 4,223	\$ 233	
	\$ 3,990	\$ -	\$ 3,990	\$ 2,648	\$ 1,575	\$ -	\$ 4,223	\$ 233	
2019 Projects									
Purchase Vehicles and Aerial Devices									

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Approved Capital Budget for 2020
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2019
Column E	Actual Capital Expenditure for 2020
Column F	Capital Projects Carried Forward to 2021
Column G	Total of Columns D, E and F
Column H	Column G less Column C

**2020 Capital Expenditure Report
(000s)**

Category: Telecommunications

	Capital Budget		Actual Expenditure		Carryover	Total	Variance	Notes*
	2020	Total	2020					
A	B	C	D	E	F			
2020 Projects								
Replace/Upgrade Communications Equipment	\$ 108	\$ 108	\$ 112	\$ 112	-	\$ 112	\$ 4	
	\$ 108	\$ 108	\$ 112	\$ 112	-	\$ 112	\$ 4	

* See Appendix A for notes containing variance explanations.

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

2020 Capital Expenditure Report
(000s)

Category: Information Systems

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2019	2020	Total	2019	2020				
A	B	C	D	E	F	G	H		
2020 Projects									
Application Enhancements	\$ -	\$ 1,428	\$ 1,428	\$ -	\$ 1,346	\$ 135	\$ 1,481	\$ 53	
System Upgrades	-	2,592	2,592	-	2,422	408	2,830	238	
Personal Computer Infrastructure	-	493	493	-	648	-	648	155	8
Shared Server Infrastructure	-	1,276	1,276	-	1,275	-	1,275	(1)	
Network Infrastructure	-	473	473	-	487	-	487	14	
Cybersecurity Upgrades	-	510	510	-	561	-	561	51	
	\$ -	\$ 6,772	\$ 6,772	\$ -	\$ 6,739	\$ 543	\$ 7,282	\$ 510	
2019 Projects									
Cybersecurity Upgrades	\$ 398	\$ -	\$ 398	\$ 271	\$ 146	\$ -	\$ 417	\$ 19	
System Upgrades	1,013	-	1,013	838	116	-	954	(59)	
	\$ 1,411	\$ -	\$ 1,411	\$ 1,109	\$ 262	\$ -	\$ 1,371	\$ (40)	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2019
Column B	Approved Capital Budget for 2020
Column C	Total of Columns A and B
Column D	Actual Capital Expenditure for 2019
Column E	Actual Capital Expenditure for 2020
Column F	Capital Projects Carried Forward to 2021
Column G	Total of Columns D, E and F
Column H	Column G less Column C

**2020 Capital Expenditure Report
(000s)**

Category: Unforeseen Allowance

	Capital Budget		Actual Expenditure 2020 C	Carryover D	Total E	Variance F	Notes*
	2020 A	Total B					
2020 Projects	\$ 750	\$ 750	\$ -	\$ -	\$ -	\$ (750)	9
Allowance for Unforeseen Items	\$ <u>750</u>	\$ <u>750</u>	\$ -	\$ -	\$ -	\$ <u>(750)</u>	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2020
- Column B Total of Column A
- Column C Actual Capital Expenditure for 2020
- Column D Capital Projects Carried Forward to 2021
- 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*
	2020	Total	Expenditure 2020				
A	B	C	D	E	F		
2020 Projects							
General Expenses Capitalized	\$ 6,000	\$ 6,000	\$ 6,578	\$ -	\$ 6,578	\$ 578	
	\$ 6,000	\$ 6,000	\$ 6,578	\$ -	\$ 6,578	\$ 578	

* See Appendix A for notes containing variance explanations.

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

**2020 Capital Expenditure Report
Multi-Year Projects
(000s)**

Category: Multi-Year Projects

	Capital Budget		Actual Expenditure		Carryover	Total	Variance	Notes*
	2018 - 2019	2020	2018 - 2019	2020				
	A	B	D	E	F	G	H	
<u>2020 Component</u>								
<u>Generation - Hydro</u>								
Topsail Hydro Plant Refurbishment	\$ -	\$ 485	\$ -	\$ 319	\$ 170	\$ 489	\$ 4	
	\$ -	\$ 485	\$ -	\$ 319	\$ 170	\$ 489	\$ 4	
<u>2018-2019 Component</u>								
<u>Generation - Thermal</u>								
Purchase Mobile Generation	\$ 13,915	\$ -	\$ 13,179	\$ 78	\$ 100	\$ 13,357	\$ (558)	
<u>Information Systems</u>								
Human Resource Management System Replacement	1,637	-	1,725	232	-	1,957	320	10
	\$ 15,552	\$ -	\$ 14,904	\$ 310	\$ 100	\$ 15,314	\$ (238)	

Column A Approved Capital Budget for 2018-2019
 Column B Approved Capital Budget for 2020
 Column C Total of Columns A and B
 Column D Actual Capital Expenditure for 2018-2019
 Column E Actual Capital Expenditure for 2020
 Column F Capital Projects Carried Forward to 2021
 Column G Total of Columns D, E and F
 Column H Column G less Column C

* See Appendix A for notes containing variance explanations.

Substations

1. Replacements Due to In-Service Failures:

Budget: \$3,269,000 Actual: \$3,684,000 Variance: \$415,000

Actual expenditure on the *Replacements Due to In-Service Failures* project was \$415,000 or 13% above the budget estimate.

The budget estimate was based on historical costs over the previous 5 years.

The variance is principally due to increased labour costs associated with adhering to public health measures related to COVID-19. Examples of operational changes made to maintain social distancing included: (i) introducing staggered hours of work to reduce employee contact; (ii) modifying work procedures such as permitting one person in the buckets of double bucket trucks rather than two; and (iii) limiting one employee per vehicle which resulted in the use of multiple vehicles to accommodate crews of two or more.

Distribution

2. *Services:*
Budget: \$3,272,000 Actual: \$2,890,000 Variance: (\$382,000)

Actual expenditure associated with the *Services* project was \$382,000 or 12% below the budget estimate.

The *Services* 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 5 years. The budget was based on 2,639 new customer connections. Actual customer connections were 2,062, or 22% below plan. The lower number of new customer connections resulted in reduced expenditure.

Reduced costs associated with the *Services* project were partially offset by costs related to the adherence to COVID-19 safety protocols.

3. *Street Lighting:*
Budget: \$2,635,000 Actual: \$3,477,000 Variance: \$842,000

Actual expenditure on the *Street Lighting* project was \$842,000 or 32% more than the budget estimate.

The *Street Lighting* budget estimate of \$2,635,000 was based on the average expenditure incurred over the past five years. The average number of units installed or replaced over the past five years was 2,575. The actual number of street lights installed or replaced in 2020 was 3,534, an increase of 37% or 959 street lights. Of the increase, 844 were replaced due to failure of the street light.

2020 Capital Expenditure Report: Notes

Distribution

4. *Transformers:*
Budget: \$6,581,000 Actual: \$5,628,000 Variance: (\$953,000)

Actual expenditure required for transformer purchases was \$953,000 or 14% below budget. This was largely due to lower than expected customer growth. In 2020, actual customer connections were 22% below plan which resulted in reduced expenditure.

5. *Reconstruction:*
Budget: \$5,513,000 Actual: \$6,275,000 Variance: \$762,000

Actual expenditure on the *Reconstruction* project was \$762,000 more than budget.

The *Reconstruction* project involves the replacement of deteriorated distribution structures identified through regular inspections and during site visits to address operational issues, including power interruptions and customer trouble calls. The variance is principally due to greater than expected workload compared to the previous 5-year historical average.

Adherence to COVID-19 related safety protocols also contributed to increased cost.

6. *Rebuild Distribution Lines:*
Budget: \$3,985,000 Actual: \$4,477,000 Variance: \$492,000

Actual expenditure on the *Rebuild Distribution Lines* project was \$492,000 more than budget. The budget was based on average historical expenditures over the last 5 years.

This project involves the replacement of deteriorated distribution structures identified through the Company's ongoing preventative maintenance program. In 2020, actual expenditures were higher than the budget estimate primarily because more work was identified through inspections and engineering assessments compared to the 5-year historical average.

Adherence to COVID-19 related safety protocols also contributed to increased cost.

General Property

7. *Company Building Renovation (2019 Project):*
Budget: \$1,374,000 Actual: \$1,725,000 Variance: \$351,000

The *Company Building Renovations* project was \$351,000 above budget. The variance is principally due to higher than expected tender pricing received for both the Salt Pond and Glovertown building renovations.

Information Systems

8. *Personal Computer Infrastructure:*

Budget: \$493,000

Actual: \$648,000

Variance: \$155,000

Actual expenditure for the *Personal Computer Infrastructure* project was \$155,000 above budget. The budget estimate of \$493,000 was based on the anticipated replacement of 60 desktop computers and 85 mobile computers in 2020.

Newfoundland Power's response to COVID-19 was the primary driver of cost variance.

In 2020, the Company enacted its pandemic business continuity plan. To ensure the health and safety of the workforce, many employees transitioned to working from home for an extended period of time. In order to accommodate remote work, the Company reduced the number of desktop computers purchased from 60 to 21 and increased the number of mobile computers purchased from 85 to 160. The Company also purchased the required peripheral devices such as monitors, wireless routers, docking stations, etc.

Due to the pandemic, there was a global supply shortage of mobile computers and related equipment in 2020, resulting in an overall price increase. Additionally, discounts normally associated with bulk purchase orders were not offered.

Unforeseen Allowance

9. *Allowance for Unforeseen Items:*

Budget: \$750,000

Actual: \$0

Variance: (\$750,000)

No expenditure was required for this project in 2020.

Multi Year Projects

10. *Human Resource Management System Replacement (2018/2019 Project):*
Budget: \$1,637,000 Actual: \$1,957,000 Variance: \$320,000

The *Human Resource Management System Replacement* project was approved by the Board in Order No. P.U. 37 (2017), as a 2-year project over 2018 and 2019. Delays related to extended collective bargaining and the implementation of cybersecurity measures resulted in the project being carried forward into 2020.

The requirement to adhere to COVID-19 related safety protocols including engaging with contractors remotely also contributed to delayed implementation and increased cost.

The initial implementation, which was planned for 2019 included a planned version upgrade in 2020. With implementation finalized in 2020, the application was upgraded as part of the original implementation. This eliminated the requirement for additional testing and partially offset the overall cost of the upgrade.