

1 Q. Table 2 of Exhibit 4: Revenue Requirement shows a reduction in Work in Progress under
2 Property, Plant, and Equipment from \$71.760 million to \$33.557 million, for a total reduction
3 (adjustment) of \$38.203 million. Hydro in footnote 11 [Exhibit 4, page 3] indicates that
4 “contributions for assets that are work in progress have been included in work in progress.”
5 Please explain how the total reduction [\$38.203 million] is higher than the capital projects in
6 WIP [\$33.557 million], i.e. does this reduction (adjustment) reflect only contributions toward
7 capital projects in WIP?
8
9

10 A. The variance in the work-in-progress (“WIP”) is not driven by contributions towards capital
11 projects in WIP. Rather, this variance is primarily as a result of more WIP being placed into
12 service in actual results versus the original forecast.
13

14 Please refer to IC-NLH-008, Attachment 1 for a detailed listing of the variances between the
15 2017 actual and forecast WIP.

2017 Work-In-Progress Actuals vs. Work-In-Progress Forecast (\$000)

| Project # | Description | 2017 Actual WIP Balance | 2017 Forecast WIP Balance | Difference |
|-----------|---|-------------------------|---------------------------|-----------------------|
| 13491492 | 230kV TransmissionLine BDE-WAV | 2,490 | 18,957 | (16,467) ¹ |
| 13851491 | Labrador West Transmission Project | - | 12,377 | (12,377) ² |
| 13491601 | Construct 230 kV Transmission Line - Soldiers Pond to Hardwoods | 11,599 | 21,748 | (10,148) ³ |
| | Other Misc. Projects | 19,467 | 18,679 | 788 |
| | | 33,556 | 71,760 | (38,204) |

¹ The reduction in Work-In-Progress ("WIP") related to the 230kV transmission line BDE-WAV was primarily due to an increase in the amount of capital that was put in service in 2017 actuals in comparison to the forecast.

² The reduction of \$12.4 million relates to the write off in actuals of the Labrador Transmission line. The project was approved in OC2014-033 on February 2, 2014; however, it was suspended later that year. In 2017, Newfoundland and Labrador Hydro reached a settlement with Kami Mines Limited Partnership resulting in the write down of the asset held in WIP. The balance was included in the original General Rate Application filing in WIP but was excluded from rate base and revenue requirement. As a result, there is no impact of the adjustment to the compliance filing.

³ The reduction in WIP related to the 230kV Transmission line – Soldiers Pond to Hardwoods, was primarily related to a reduction in capital expenditures in 2017 actuals of \$7 million due to rescheduling work to 2018. In addition, there was a section of the transmission line that was put into service in 2017 actuals of \$3 million which was not anticipated in the original General Rate Application 2017 forecast.