

**Undertaking 158**

***Re: Grant Thornton – financial consultants report, Page 114 Capital Expenditures***

- a) **Undertake to provide an apples to apples comparison of the 119.6 that was forecast for 2015. An apples to apples of where we are, what's the present forecast for 2015 as compared to that 119.6, in relation to the information that's in the test year.**
  
  - b) **Undertake to confirm Hydro's position on that point (*an adjustment to rate base in the test year for 2015*) in an undertaking.**
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- a) Please refer to the following for a comparison of Forecast capital expenditures in comparison to Test Year:

An apples to apples comparison of the 119.6 that was forecast for 2015 would be 94.6. As of October 31, 2015 Hydro's forecast for 2015 is 132.9. Please see below table for a summary of 2015 revised capital expenditures.

	\$ millions
<b>2015 Capital expenditure forecast as per CA-NLH-326</b>	<b>119.6</b>
<b><i>Changes to capital projects</i></b>	
100MW (Nominal) CT Addition - Holyrood	10.8
Upgrade Burnt Dam Spillway - Bay d'Espoir	(0.4)
Increase Fuel Storage - Rigolet	(0.6)
Install Fire Protection System - Nain	(0.9)
Inspect Fuel Storage Tanks	(0.9)
T1 Transformer and Related Equipment - Sunnyside	(1.3)
Purchase Critical Spares Generation Stations	(1.9)
Various Other Projects	(2.5)
Upgrade Circuit Breakers - Various Sites	(2.7)
Replace Oxen Pond Transformers	(7.6)
230 KV Transmission Line - BDE to WAV	(17.0)
<b>Revised 2015 Capital expenditure forecast as per CA-NLH-326</b>	<b>94.6</b>
<b><i>2014 Carry Overs</i></b>	<b>35.8</b>
<b><i>Supplementals</i></b>	
Replace the Rectifier Transformers on Units 1 and 2- Holyrood - P.U. 27 (2015)	0.3
Hardwoods Gas Turbine Engine Refurbishment - P.U. 29 (2015)	1.3
<b><i>Under \$50K Projects and 2016 FEED</i></b>	<b>0.9</b>
<b>2015 Revised Capital Expenditures</b>	<b>132.9</b>

- b) Total plant in service is used for rate setting purposes rather than capital expenditures. The following is a comparison of plant going into service in the 2014 and 2015 Test Year in comparison to the 2014 Actuals and 2015 Forecast:

**Additions to Plant in Service Comparison (\$000's)**

	<u>Test Years</u>			<u>Actual Forecast</u>			<u>Cumulative</u>	<u>Cumulative</u>
	<u>2014</u>	<u>2015</u>	<u>Cumulative</u>	<u>2014</u>	<u>2015</u>	<u>Cumulative</u>	<u>Variance</u>	<u>Variance</u>
							\$	%
Additions to plant in service	238,898	84,082	322,979	90,502	229,957	320,459	2,521	0.8%

The 2015 Test year planned additions to plant in service was \$84.1 million. The revised forecast to additions to plant in service in 2015 is \$230.0 million. The increase in 2015 Test Year additions to plant in service is primarily due to the CT and 2014 carry forwards which were originally scheduled to go into service in 2014 but have now gone into service in 2015.

The forecast additions to plant in service in comparison to the cumulative 2014 and 2015 Test Years is an underspend of less than 1%. Hydro does not propose to make the corresponding adjustment for rate setting purposes for 2016 given that the forecast assets in service in 2015 are consistent with the 2015 Test Year, all of the 2015 additions which were tested in the Hearing and will be in service for a full year in 2016, the planned growth in Hydro's capital program and the impact on return on rate base forecasted for 2016 in as outlined in PUB-NLH-487.