

1 Q. **Reference: Tab C; Volume I: Capital Projects Over \$500,000**

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3 The budgets for a number of annual projects such as Thermal In-Service Failures - \$2,000,000
4 (page C-13); Provide Service Extensions - \$4,284,000 (page C-39); and Upgrade Distribution
5 System - \$3,195,000 (page C-47) are based on historical expenditures.

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7 Please identify any other budgeting tools/protocols that Hydro utilizes to ascertain the required
8 budget amount.

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11 A. Please refer to Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-013 for
12 details on how Hydro determined the required budget amount for the 2020 Thermal In-Service
13 Failures project and Hydro's response to PUB-NLH-014 for details on the criteria Hydro uses to
14 determine if a project should be executed under the Thermal In-Service Failures project.

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16 Hydro takes the following steps to determine the Provide Service Extensions and Upgrade
17 Distribution System project budgets:

- 18 ● Analysis of spending trends, including average spends per region for that spending
19 period, with adjustments made to any outliers (high or low);
- 20 ● Utilization of gross domestic product price deflator with the historical data to establish a
21 distribution line construction price index;
- 22 ● Utilization of forecast for distribution system escalation from the February of the
23 current year; the forecast for the current year is then escalated per the annual
24 escalation rate;
- 25 ● Provision of a forecast for review and comment, with an opportunity to adjust based on
26 work plans, to management in each operating region; and
- 27 ● Review and approval of final budgets by Hydro management prior to Capital Budget
28 Application submission.