

1 Q. In the Five-Year Capital Plan filed as part of Hydro’s 2022 Capital Budget Application the project
2 to Replace Diesel Plant Roof - Makkovik is scheduled for 2024 and 2025 with a total project cost
3 of \$300,000. Please reconcile the total project cost in the Five-Year Capital Plan with the current
4 request of \$634,500 to explain the increase in costs.

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7 A. While developing its five-year capital plans, Newfoundland and Labrador Hydro (“Hydro”)
8 prepares high-level estimates based on the known scope of work. As these estimates are
9 prepared years in advance, the scope of work is less defined and estimates often require
10 refinement as Hydro completes front-end engineering and further defines the scope of the
11 project prior to proposing the expenditure.

12 In this case, the large variance between the expenditure proposed in this application and the
13 estimate prepared in early 2021 for Hydro’s five-year capital plan is largely due to inflationary
14 pressures on material, labour, and transportation costs, as has been experienced across global
15 supply chains in recent months. Hydro’s vendors have informed Hydro that costs have risen as
16 much as 70% year-over-year, which has been reflected in Hydro’s request.