

1 Q. Re: 2013 Capital Projects 500,000 and Over: p. C-31 Provide Service Extensions (All  
2 Service Areas):

3 Table 3 at p. C-32 indicates that budget projections have been significantly off over  
4 the past several years whereby actuals significantly exceeded budget. What steps  
5 are being taken to address this issue in this and future filings?  
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8 A. Prior to 2010, Hydro used a five year historical average of Service Extension  
9 expenditures for forecasting the budgets for its Central, Northern and Labrador  
10 regions. Since 2010, to mitigate the influence of extraordinary growth in  
11 expenditures in service extensions in both the Northern and Labrador regions,  
12 Hydro has used a three year average for the budget for those regions and a five  
13 year average for the Central region. The historical average expenditure is adjusted  
14 for cost escalation in future years using a cost escalation index that is updated  
15 annually. The decision to use a three or five year average of historical expenditures  
16 will be reviewed annually and be based on Hydro's assessment of recent service  
17 extension activity and of expected future service extension activity in each of the  
18 regions.