

1 Q. Re: 2013 Capital Budget: 2012 Capital Expenditures Explanations:

2 At page J-14, Hydro outlines the increased cost for the replaced compressed air
3 system at Bay d’Espoir and the Upgrade Distribution Systems for Francois, Rigolet
4 and Happy Valley. Can Hydro explain why its initial estimates were much less than
5 the actual cost?

6

7

8 A. Both of these projects have increased costs due to the tenders awarded being
9 significantly higher than budgeted. This is due in large part to the strong labour
10 market currently being experienced in the province. This is a continuing trend of
11 what was experienced by Hydro in 2011 where eight of the projects tendered either
12 had no bids received or bids that far exceeded estimated costs. Project estimates
13 for 2013 have been increased to reflect current market conditions in relation to
14 contract work.