

1 Q. **Reference: Application, Schedule 6, Hydraulic In-Service Failures (2024)**

2 It is stated (page 5)

3 The estimate is based on the average expenditures from 2020 to 2022.”

4 but later on the same page it is stated

5 As Hydro cannot predict the quantity and the nature of failures to be addressed  
6 within this program for future years, Hydro has forecast future expenditures for  
7 this program based on the 2023 program budget with cost escalation applied.

8 a) Please clarify whether the estimate is based on average expenditure from 2020 to 2022  
9 or on escalation of 2023 spending.

10 b) In percentage terms, what is the escalation of the 2024 estimate compared to the 2023  
11 figure?

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14 A. a) The first statement refers to the method used to obtain the 2024 estimate. This was done as  
15 an average of the 2020–2022 actual expenditures. The future years refers to the method for  
16 obtaining the estimate for years 2025–2028. Newfoundland and Labrador Hydro (“Hydro”)  
17 notes there is an error in this sentence and it should read:

18 As Hydro cannot predict the quantity and the nature of failures to be addressed  
19 within this program for future years, Hydro has forecast future expenditures for  
20 this program based on the **2024** program budget with cost escalation applied.<sup>1</sup>  
21 [emphasis added]

22 b) As stated in part a) of this response, the current budget year estimates are developed from  
23 a three year average of actual expenditures. The estimates for 2023 and 2024 of the  
24 Hydraulic In-Service Failures program are both \$1.5 million; as such, the escalation in this  
25 case is 0%.

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<sup>1</sup> As referenced in “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 6, prog. 14, p. 5/11–13.