

1 Q. **Reference: Schedule 1 2024 Capital Budget Overview, Page 23, lines 12–14**

2 Please explain how Hydro develops a contingency amount for a project budget and determines
3 the appropriate amount of contingency to include from 10% to 15%. In the response include
4 whether Hydro has developed any guidelines on the calculation of an appropriate contingency
5 and whether Hydro’s practices are consistent with Canadian utility practice.

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8 A. Newfoundland and Labrador Hydro (“Hydro”) develops contingency amounts based on project
9 or program scope and historical experience. Programs that Hydro has executed in the past, such
10 as the Overhaul Hydraulic Units program, would have a lower contingency than a new single-
11 instance project. This is due to the repetitive nature of the program work, resulting in fewer
12 unknowns around risks and constraints. Hydro has not developed any formal guidelines on the
13 calculation of appropriate contingency. Contingency is determined on a project-by-project basis
14 in consultation with internal project teams. Hydro has not completed a review of contingency
15 practices within Canadian utilities; therefore, Hydro cannot comment on whether its practices
16 are consistent with Canadian utility practice.