

1 Q. **Reference: Schedule 6, Program 4 Distribution System In-Service Failures, Miscellaneous**  
2 **Upgrades, and Street Lights (2024), Page 6, lines 2–3**

3 It is stated that the estimate for the 2024 Distribution System In-Service Failures program is  
4 based on the average expenditures from 2020 to 2022. Project cost estimates for some other  
5 programs (e.g., Provide Service Extensions) contain similar statements regarding the use of a  
6 three-year historical average of costs while others do not specify how the estimate was  
7 determined (e.g., Replace Diesel Gensets and Boiler Condition Assessment and Miscellaneous).  
8 Does Hydro typically use a three-year average of historical expenditures with cost escalation to  
9 determine a cost estimate for a program for a capital budget proposal? In the response explain  
10 how Hydro determines the program cost each year for ongoing capital programs.

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13 A. To determine program costs each year for a capital budget proposal, Newfoundland and  
14 Labrador Hydro (“Hydro”) uses various methods of estimating, as appropriate, based on the  
15 type of work being proposed. As discussed in Schedule 6, Hydro’s In-Service Failure programs—  
16 including Distribution System In-Service Failures, Miscellaneous Upgrades, and Street Lights  
17 (2024) program<sup>1</sup>—serve to address unknown scopes of work, permitting Hydro to act  
18 immediately upon failure to ensure an efficient and timely return to service of the assets. The  
19 Provide Service Extensions (2024) program<sup>2</sup> allows Hydro to respond to customer requests for  
20 service hookups in a timely and efficient manner on an as-required basis, the quantity and scope  
21 of which are unknown at the time of filing. At this time, analysis of the expenditures has shown  
22 that a three-year average with cost escalation as required generates an accurate estimate for  
23 these programs, as it better reflects price variability. However, this could change year-over-year  
24 as costs vary greatly depending on the quantity and nature of requests received under the  
25 program.

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<sup>1</sup> “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 6, prog. 4.

<sup>2</sup> “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 6, prog. 5.

1           For programs such as Replace Diesel Gensets (2024–2026) program<sup>3</sup> and Boiler Condition  
2           Assessment and Miscellaneous Upgrades (2024) – Holyrood program<sup>4</sup>, the scopes of work are  
3           generally known in advance; as such, costs are estimated based on those scopes. As these  
4           programs are executed annually, there is some historical input to the estimate to incorporate  
5           lessons learned and updated supply chain information, as is the case for the majority of Hydro’s  
6           annual programs.

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<sup>3</sup> “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 6, prog. 3.

<sup>4</sup> “2024 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 6, prog. 6.