

1 Q. **Reference: Application, 2024 Capital Expenditures Overview**

2 A number of projects were over-budget due to higher-than-expected contract pricing. Does
3 Hydro believe this to be an anomaly? How has this influenced Hydro's pricing of projects and
4 programs in the 2025 CBA?

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7 A. A number of 2024 projects and programs are forecast to exceed their budgets due to contract
8 pricing that is higher than the original budget estimate. While Newfoundland and Labrador
9 Hydro ("Hydro") continues to experience elevated contract costs, Hydro is unable to speculate
10 on the permanency of the increase in such costs going forward. Hydro continues to utilize
11 historical capital expenditures and experience, combined with front-end engineering design,
12 vendor quotes and contractor quotes, to develop future capital budget estimates. Due to the
13 timing of activities necessary for the completion of the current year's capital budget cycle,
14 Hydro is unable to fully incorporate lessons learned from the immediately previous execution
15 season. However, the lessons learned from previous capital budget cycles are utilized in the
16 development of subsequent capital budget applications. Increased labour and materials costs
17 seen throughout 2023 have been incorporated as required, and Hydro used updated escalation
18 assumptions in its estimating exercises for 2025 programs and projects.