

1 Q. **Reference: Schedule 5 2024 Capital Expenditures Overview, pages B-38-52.**

2 Hydro has provided tables showing budget, actual expenditures, and variances for the projects  
3 and programs completed in 2023. Some tables include both annual and program data, while  
4 others only provide program or annual data. What is Hydro’s rationale for reporting cost data  
5 differently?

6

7

8 A. The provisional Capital Budget Application Guidelines,<sup>1</sup> set forth by the Board of Commissioners  
9 of Public Utilities require Newfoundland and Labrador Hydro (“Hydro”) to provide a detailed  
10 explanation for each variance where the actual expenditure was greater than the approved  
11 expenditure by both \$100,000 and 10%. For programs and projects that span multiple calendar  
12 years, it is possible to have a reportable variance for the overall program or project and/or a  
13 reportable variance in the annual expenditures within that multi-year program or project. For  
14 the tables in the 2024 Capital Expenditure Overview,<sup>2</sup> dollar amounts are provided for annual  
15 variances that are greater than both \$100,000 and 10% and total project variances that are  
16 greater than both \$100,000 and 10%. Any given project or program may have an annual  
17 reportable variance, a total reportable variance, or both. Examples are as follows:

- 18 ● The Replace Powerhouse Station Service Panel 1 (2023–2024) – Upper Salmon Project<sup>3</sup>  
19 had 2023 expenditures that exceeded the 2023 budget by more than both \$100,000 and  
20 10% and the overall project is also forecast to exceed the budget by more than both  
21 \$100,000 and 10%. Variance explanations were provided for both the 2023 (annual)  
22 variance and the forecasted total project variance in the 2023 Capital Expenditures and  
23 Carryover Report.
- 24 ● The Replace Elevator Motors and Control Equipment – Hydro Place Project<sup>4</sup> had total  
25 project expenditures that exceeded the budget by more than both \$100,000 and 10%;

---

<sup>1</sup> “Capital Budget Application Guidelines (Provisional),” Board of Commissioners of Public Utilities, January 2022.

<sup>2</sup> “2025 Capital Budget Application,” Newfoundland and Labrador Hydro, July 16, 2024, sch. 5, app. B., sec. 5.0, pp. B-37–B-52.

<sup>3</sup> “2025 Capital Budget Application,” Newfoundland and Labrador Hydro, July 16, 2024, sch. 5, app. B., sec. 5.1.2, p. B-39.

<sup>4</sup> “2025 Capital Budget Application,” Newfoundland and Labrador Hydro, July 16, 2024, sch. 5, app. B., sec. 5.1.16, pp. B-45–B-46.

1           however, the variance in the annual 2023 expenditures was not greater than both  
2           \$100,000 and 10%, as the over-expenditure was experienced in the years prior to 2023.  
3           As such, a variance explanation was required only for the total project variance in the  
4           2023 Capital Expenditures and Carryover Report.

- 5           ● The Replace Light- and Heavy-Duty Vehicles (2023–2025) Program<sup>5</sup> had 2023  
6           expenditures that exceeded the 2023 budget by more than both \$100,000 and 10%, due  
7           to the early delivery of some vehicles in 2023 that were originally expected to arrive in  
8           2024. As this did not impact the total program budget, a variance explanation was  
9           required only for the 2023 (annual) expenditures in the 2023 Capital Expenditures and  
10          Carryover Report.

---

<sup>5</sup> “2025 Capital Budget Application,” Newfoundland and Labrador Hydro, July 16, 2024, sch. 5, app. B., sec. 5.2.1, p. B-47.