Q. **Reference: Application, Schedule 1, page 26, section 5.3; Order No. P.U. 2(2026)**

Hydro quotes the Board's expectation that Hydro "*will incorporate any lessons learned from previous capital budget applications and how they may be applied in future applications.*"

a) Please file any lessons-learned memorandum, checklist, or procedure prepared in response to Order No. P.U. 2(2026).

b) Please list each resulting change to a 2027 project or program, including scope, estimate, AACE class, capital-versus-operating classification, timing, or supporting evidence. If none, identify the decision record concluding that no change was required.

A. **a)** No formal documentation or procedure was prepared in response to the Board of Commissioners of Public Utilities Order No. P.U. 2(2026). Informal feedback was given to the teams developing estimates to include where practicable the current trends experienced. Given the nature of the capital budget application cycle, it is not always possible to incorporate current execution trends. This year, Newfoundland and Labrador Hydro ("Hydro") has made a concerted effort to focus on incorporating trends in cost volatility through the use of current year execution information where historical information would have been used in the past.

b) As stated in part a, the timing of the capital budget application cycle presents certain challenges regarding inclusion of current trends in upcoming applications. Where Hydro's programs are based on recurring work, this method would have been employed in an effort to reflect market pricing where relevant.

Example proposals include:

- Upgrade Energy Management System: Historically, the Energy Management System, was supported through a single, sole-sourced vendor, which provided predictable pricing and a consistent approach to upgrade execution. The vendor has since transitioned to a partnered vendor model, introducing multiple third-party service providers into the upgrade process. As observed through execution of the 2025–2026 upgrade, this shift has resulted in higher and more variable pricing, as well as additional coordination and integration costs to secure the necessary expertise and ensure timely delivery.

- Wood Pole Line Management: Hydro utilized construction costs from execution of work early in 2026 to develop portions of this estimate, which have contributed to increased construction costs.