Q. **Reference: Application, Schedule 1, Appendix A; Schedule 5, page 2, Table 1; Schedule 7, In-Service Failure programs**

Hydro proposes eight 2027 in-service-failure programs: Combustion Turbine ($1,038,000); Diesel ($1,256,900); Distribution System In-Service Failures and Miscellaneous Upgrades ($6,665,200); Hydraulic ($3,353,500); Terminal Station ($2,203,300); Thermal ($3,836,400); Transmission ($194,500); and Telecommunications ($118,800). Those amounts total $18,666,600.

a) Please confirm the total of $18,666,600 and that it is 11.94% of the $156,355,300 proposed, or provide the corrected figures.

b) For each program, provide budget and actual expenditures for 2022–2025 and, for 2026, budget, actual expenditure to date, and full-year forecast.

c) Please file the written rule that moves a job out of an in-service-failure program into a named project, and state whether unused budget is returned or carried forward.

d) Schedule 5, Table 1 states a 2026 in-service-failure budget of $17,514,800, expenditures and forecast of $19,671,500, and variance of $2,748,000. The program rows displayed sum to $20,262,800 of expenditures and forecast. Please file a corrected Table 1 and explain the difference of $591,300.

A. **a)** It is confirmed.

b) Where available, five years of historical expenditure data is provided within each program proposal in Newfoundland and Labrador Hydro's ("Hydro") 2027 Capital Budget Application ("CBA"), as required by the Provisional Capital Budget Application Guidelines ("Guidelines").[1] Budget versus actual expenditures for 2022–2025 can be found on the record in Hydro's annual Capital Expenditure and Carryover reports.[2] For 2026, the budgets,

[1] "Capital Budget Application Guidelines," Board of Commissioners of Public Utilities, January 2022.
[2] Hydro's annual Capital Expenditures and Carryover Reports are available on the Board of Commissioners of Public Utilities website at the following link: http://www.pub.nl.ca/indexreportspages/capitalexpenditure.php.

annual expenditure to date and full-year forecast can be found on the record in the mid-year Capital Expenditure and Carryover report included as Schedule 5 to Volume I of the 2027 CBA.

c) Hydro reviews all planned capital expenditures to ensure the appropriateness of timing and justification of scope, including whether the expenditure should constitute a separate project or an in-service failure. Throughout the year, Hydro reviews information at an asset level to determine the associated level of operational risk and proposes unforeseen or 'break-in' work accordingly through a Capital Work Request process. These items are then reviewed by Hydro's subject matter experts for feasibility, determination of alternatives, and assessment of system risk, reliability, executability, and total investment. If multiple viable alternatives are identified, this could require the completion of a cost-benefit analysis to identify the least-cost option. Analysis at all levels includes qualitative and quantitative considerations such as historical asset experience, asset age and condition, risk assessment (including safety, reliability, and environment considerations), and cost comparisons. Any unused budget is not carried forward into subsequent years.

In-service failures include expenditures related to an unpredicted asset failure or incipient failure which cannot wait until the next CBA.

d) Hydro acknowledges the typographical error within Table 1. Please refer to the updated Table 1, which corrects the error in totaling the Expenditures and Forecast column.

Table 1: Program Variance – In-Service Failures (2026) ($000)

Program	Budget	Expenditures And Forecast	Forecasted Variance
Distribution	6,114.9	6,706.2	591.3
Thermal	3,823.7	3,823.7	-
Hydraulic	2,660.3	2,660.3	-
Terminal Station	3,291.8	3,291.8	-
Diesel	817.0	2,973.7	2,156.7
Gas Turbine	500.1	500.1	-
Transmission	183.4	183.4	-
Telecommunications	123.6	123.6	-
Total	**17,514.8**	**20,262.8**	**2,748.0**

The forecasted variance of $591,300 (9.7%) for the Distribution In-Service Failures, Miscellaneous Upgrades, and Street Lights (2026) program does not exceed 10%. Therefore, in accordance with the Guidelines, a variance explanation was not provided in the 2026 Capital Expenditures Overview.