Q. Identify all 2027 CBA projects for which material construction or procurement activity will occur in Labrador. Explain how rates for construction services experienced in Labrador during 2025 and 2026 have been incorporated into the estimates for the 2027 CBA projects, including labour rates, contractor mobilization, accommodation, materials, escalation and contingency.

A. The projects with material construction or procurement activities occurring in Labrador are:

- Perform Major Inspection – Synchronous Condenser 2 (2027–2028) – Wabush Terminal Station;
- Inspect Fuel Storage Tanks (2027–2028) – Makkovik;
- Replace Exciter Controller – SC1 and SC2 (2027–2028) – Wabush;
- Replace Roof (2027–2028) – Cartwright;
- Additions for Load Growth – Upgrade Fuel Storage (2027) – Cartwright;
- Construct Pole Storage Ramps (2027–2028) – Happy Valley;
- Procure Accommodations (2027) – Postville; and
- Diesel Genset Replacement – Unit 2029 (2027–2029) – Makkovik.

For these projects, the following methods were used to determine the construction and procurement estimates:

- Utilization of internal rates for labour, travel, and accommodations in Labrador that account for operational differences;
- When available, recent contract pricing was used or budgetary quotes were obtained from contractors that recognize the work is being carried out in Labrador;
- Procurement costs based on procurement of similar equipment in Labrador or escalated based on similar work on the island; and
- Calculation of contingency based on execution risk. For projects considered higher risk as they are not recurring work, Hydro increased contingency to account for bid price

volatility as a result of a limited number of competing service providers, which can result in higher regional pricing.

Newfoundland and Labrador Hydro ("Hydro") notes that up to May 31, 2026, including at the time the estimate for the Procure Accommodations (2027) – Postville project was completed, there was no reportable variance identified for the Procure Accommodations (2026) – Makkovik project. However, recently the 2026 project has incurred higher-than-originally-estimated procurement and construction expenditures, resulting in a change in materiality.[1] Given the projects' similar geographic locations and procurement requirements, and the recent cost experience on the Procure Accommodations (2026) – Makkovik project, Hydro now anticipates that capital expenditures for the project to Procure Accommodations (2027) – Postville are likely to exceed the Under $750,000 materiality threshold. As this project was filed in Hydro's 2027 Capital Budget Application ("CBA") with evidence supporting a project with capital expenditures under $750,000, Hydro intends to remove the project from its 2027 CBA and refile the project at a future date with the appropriate evidence as required for the level of materiality.

[1] The Procure Accommodations (2026) – Makkovik project was originally filed as a capital expenditure Under $750,000 in Hydro's 2026 Capital Budget Application. The preliminary updated estimate for this work is $1,205,300; a variance of $520,600 from the original budget of $684,700.