Q. **Reference: Schedule 5, 2026 Capital Expenditures Overview**

a) Provide a summary table for all projects and programs with variances, showing the project or program title, year approved, approved budget amount, expenditures and forecast amount, forecasted variance amount and forecast variance percentage of budget amount.

b) What controls has Hydro had in place to manage forecast variances? Address whether any portion of the costs could have been avoided or reduced through earlier planning, design, procurement or execution management, or recovered from suppliers.

A. **a)** Please refer to PUB-NLH-012, Attachment 1, which provides a summary of the requested information reported with additional detail in Schedule 5, 2026 Capital Expenditures Overview Appendix A Pages A-4 to A-9.

b) Newfoundland and Labrador Hydro ("Hydro") utilizes established project management practices and procedures to plan, monitor, and control the scope, schedule, and cost performance of its capital projects and programs. These practices are supported by a continual improvement framework that incorporates lessons learned from completed projects, annual reviews of capital expenditure performance, and ongoing assessments of project delivery practices. Hydro also employs project governance processes that provide oversight throughout project development and execution, including basis of estimate reviews, risk assessments, project change management and variance monitoring.

Improvement opportunities identified by Hydro during project execution are assessed and an annual improvement plan is developed, focused on strengthening planning, estimating, scheduling, and project controls practices. In 2026, Hydro's improvement initiatives include:

- Advancement of some project planning activities to the project development phase, to allow for improved overall annual work planning and determination that work put forward in capital budget applications should be achievable in the year proposed for project construction. Planning activities that are being advanced include:

- Development of the work breakdown structure for each project and program, that will form the framework for cost estimates and schedules.
- Development of detailed design and construction activities and resource requirements.
- Identification of materials with long lead times and ensuring that schedules include expected lead times with reasonable allowances for late delivery.
- Development of the annual generation unit outage schedule.

- Enhancement of the project initiation documentation for each project and program, to improve estimate quality and consistency.
- Strengthening project governance through the application of stage-gate reviews and project readiness assessments.
- Estimate review to ensure resources were appropriately time-phased.
- Update of the project risk management process, including the associated risk evaluation matrix.
- Improvement of various project document templates.
- Update of role descriptions for Program Manager, Project Manager, Project Engineer, and Contract Manager for better delineation of responsibility and accountability.
- Implementation of three-month look-ahead meetings to confirm availability of internal resources for construction activities. A look-ahead at this duration allows Hydro time to engage contractors for any expected shortfall in resource availability.
- Specific reviews of work occurring at the same Hydro locations to identify opportunities and risks, such as limited on-site accommodations, requirements for construction power, shared resources for safety oversight and identification of activities that cannot occur in parallel.

- Improved reporting and supervisor/manager review of short-term engineering resource requirements during project design and construction phases.

While Hydro seeks to minimize change, some amount of change is expected over the course of a project and is managed through Hydro's project change management process. Potential changes to a project or program scope, schedule or budget are reviewed to assess the justification, benefits and impacts of that change, considering all applicable stakeholders. When it is determined by the project team that a change should be implemented, a change notice is reviewed by the appropriate level of management and/or executive based upon the materiality of the cost and schedule change. Material changes may also be put forward to the Board of Commissioners of Public Utilities for further approval prior to implementation, as detailed in Hydro's response to PUB-NLH-013 of this proceeding.

Hydro continually seeks opportunities to improve planning, design, procurement, and execution management, in an effort to minimize cost variances. Accordingly, Hydro's strategy is to advance projects and programs through more detailed front-end engineering and design, front-end execution planning and other preliminary development activities sufficient to support investment decisions while accepting a reasonable degree of cost uncertainty that is inherent at that stage of project development.

Some forecast variances are expected and arise from conditions that cannot be fully identified until detailed engineering, equipment procurement, or construction activities are undertaken. Hydro's objective is to strike an appropriate balance between cost certainty and prudent stewardship of ratepayer funds by limiting pre-construction expenditures prior to approval while maintaining robust project planning and risk management practices.

Hydro pursues recovery of costs from suppliers and contractors when they are accountable for those costs. All contractor and supplier change requests are reviewed to determine accountability for the underlying cost impact, including assessment of contractual obligations, scope responsibility, and causation. Where Hydro determines that a supplier or contractor is responsible for the additional costs, Hydro seeks recovery through available contractual remedies, negotiated settlements, credits, warranty provisions, or other mechanisms permitted under the contract.

Table 1: Project and Program Variance Summary

Project Title	Year Approved	Approved Budget	Project Forecast	Project Variance	Project Variance (%)
Additions for Load Growth - Unit 2065 Replacement and Fuel Storage Upgrades (2024–2027) - Rigolet	2024	3,429.22	3,843.88	414.67	12.09%
Additions for Load Growth - Upgrade Transformer Capacity (2023–2024) - Jean Lake Terminal Station	2023	10,999.70	3,376.34	(7,623.36)	-69.31%
Wabush Terminal Station Upgrades	2021	12,678.12	17,172.12	4,494.00	35.45%
Upgrade Instrumentation (2024-2025) - Hardwoods Gas Turbine	2024	218.10	553.09	334.99	153.59%
Automate Bulk Metering (2024–2026)	2024	806.70	752.30	(54.40)	-6.74%
Purchase Spare Generator Step Up Transformer (2023–2028)	2023	12,323.50	12,324.00	0.50	0.00%
Diesel In-Service Failures (2026)	2026	817.00	2,973.66	2,156.66	263.97%
Overhaul Diesel Units (2026)	2026	2,353.70	3,011.46	657.76	27.95%
Replace Emergency Diesel Genset (2025–2027) - Cat Arm	2025	1,601.20	1,380.55	(220.65)	-13.78%
Overhaul Hydraulic Units (2025) - Bay d'Espoir	2025	4,972.40	4,925.25	(47.15)	-0.95%
Overhaul Turbine and Valves - Unit 3 (2025) - Holyrood	2025	15,975.90	23,362.01	7,386.11	46.23%
Rewind Stator (2025–2026) - Hinds Lake	2025	14,928.70	16,095.37	1,166.67	7.81%
Update Flame Scanners - Unit 3 (2025) - Holyrood	2025	140.60	275.57	134.97	96.00%
Replace Disconnects (2025–2026)	2025	1,390.80	1,236.68	(154.12)	-11.08%
Refurbish Marine Terminal (2025–2026) - Holyrood	2025	2,486.40	2,304.25	(182.15)	-7.33%
Replace Instrument Transformers (2025–2026)	2025	468.90	1,395.96	927.06	197.71%
Renew Circuit Breakers (2025–2026)	2025	2,661.00	2,944.00	283.00	10.64%
Upgrade Power Transformers (2025–2026)	2025	1,985.80	2,732.25	746.45	37.59%
Install Breaker Failure Protection (2025–2027) - Holyrood	2025	665.20	371.73	(293.47)	-44.12%
Replace Human Machine Interface (2025) - Stephenville	2025	277.00	438.00	161.00	58.12%
Refurbish Intake 2 (2025–2026) - Bay d'Espoir	2025	3,353.80	4,092.69	738.89	22.03%
Perform Level 2 Condition Assessment - Unit 7 Intake and Draft Tube (2025) - Bay d'Espoir	2025	471.50	1,122.73	651.23	138.12%
Replace Annunciator - Phase 2 (2024-2025) - Bay d'Espoir	2024	481.60	1,162.83	681.23	141.45%
Upgrade Distribution (2024-2025) - Bay d'Espoir Terminal Station 2	2024	424.70	567.08	142.38	33.52%
Upgrade Data Alarm Systems (2024–2025) - Western Avalon Terminal Station	2024	293.90	313.60	19.70	6.70%
Penstock Life Extension - Phase 1 (2023-2025)	2023	65,876.02	62,891.12	(2,984.90)	-4.53%
Replace Circuit Breaker Reclosing Controllers (2023-2024) - Hardwoods	2023	231.20	412.15	180.95	78.27%
Replace Unit 2047 - Ramea	2021	2,436.81	3,167.37	730.56	29.98%
Refurbish Ebbegunbaeg Control Structure	2021	17,679.02	23,954.03	6,275.01	35.49%
Diesel Genset Replacement Program (2023-2025)	2023	2,408.20	3,457.12	1,048.92	43.56%
Replace Diesel Gensets (2024–2025)	2024	3,418.47	4,416.92	998.45	29.21%
Distribution System In-Service Failures, Miscellaneous Upgrades and Street Lights (2026)	2026	6,114.90	6,706.22	591.32	9.67%
Rollout Document Control System (2026)	2026	607.30	-	(607.30)	-100.00%
Replace Interconnect Microwave Radios (2025)	2025	1,103.00	999.39	(103.61)	-9.39%
Replace Mobile Equipment (2025–2027)	2025	4,647.60	5,230.52	582.92	12.54%
Replace Light- and Heavy-Duty Vehicles (2025–2027)	2025	7,537.60	7,837.60	300.00	3.98%
Upgrade Work Protection Code Application (2025–2026)	2025	708.64	591.18	(117.46)	-16.58%
Replace VHF Radio System (2024-2025)	2024	1,552.20	1,858.18	305.98	19.71%
Replace Powerhouse 1 Roof (2024-2025) - Bay d'Espoir	2024	1,959.40	2,328.37	368.97	18.83%
Replace Light- and Heavy-Duty Vehicles (2024–2026)	2024	6,761.30	8,240.59	1,479.29	21.88%
Purchase 50' Material Handler Aerial Device on Tracked Unit (2024–2026) - Happy Valley Goose Bay	2024	872.90	796.65	(76.25)	-8.74%
Refurbish Control Building (2024-2025) - Grandy Brook and Doyles	2024	554.10	913.88	359.78	64.93%
Install Ultra-Fast DC Electric Vehicle Chargers - Supplemental	2023	2,059.80	2,779.80	720.00	34.95%
Upgrade Water and Fire Suppression Systems (2023-2024) - Bishop's Falls	2023	3,240.00	5,800.00	2,560.00	79.01%