Q. **Reference: Schedule 5, 2026 Capital Expenditures Overview, Appendix B, Capital Expenditures and Carryover Report for the Year Ended December 31, 2025 Table 1, page B-9**

How does Hydro align Expenditures with Approved Budget amounts for projects and programs that are advanced to a future year's program? In the response, provide actual examples from the 2016 to 2025 period.

A. The budget treatment of work deferred for execution in a future year is different for projects and programs.

The unspent budget amounts for deferred scopes of work within projects are typically carried over directly and become part of the subsequent year's approved budget. For example, the Inspect Fuel Tanks (2024) – Hardwoods Gas Turbines project was originally planned to be completed in a single year in 2024, but it carried over and was completed in 2025. The amount reported as approved budget for 2025 is the unspent portion of the 2024 budget, as shown in Table 1.

Table 1: Inspect Fuel Tanks (2024) – Hardwoods Gas Turbines Expenditures ($000)

Project	2024 Original Budget	2024 Expenditures	Unspent 2024 Original Budget Carried Over to 2025	2025 Expenditures	Total Project Expenditures	Project Variance
Inspect Fuel Tanks (2024) – Hardwoods Gas Turbines	692.9	64.1	628.8	974.7	1,038.8	345.9

The unspent budget amounts for deferred scopes of work within programs are not typically carried over directly. The Capital Budget Application Guidelines (Provisional) ("Guidelines")[1] describe a program budget as an "*Annual budget that is renewed annually, although volume may ebb and flow across time.*" As a result, comparison of overall annual budgets to actual expenditures is not as effective a metric for programs as it is for projects, and the Guidelines

[1] "Capital Budget Application Guidelines (Provisional)," Board of Commissioners of Public Utilities, January 2022.

instead require Newfoundland and Labrador Hydro ("Hydro") to report on the estimated and actual average unit cost of completed scopes of work. Hydro adjusts the budget estimate for the subsequent instance of the program for inclusion in the following year's Capital Budget Application ("CBA") when deferred work is known by May 31 of that year. For example, Hydro reported in the Capital Expenditures and Carryover Report for the Year Ending December 31, 2024, that the scope of work to upgrade the Energy Management System planned for 2024 was deferred to 2025–2026. This resulted in an underspend for the 2024 instance of the program, as shown in Table 2. As this deferral was known before May 31, 2024, the work and associated budget estimate was included in the budget proposal for the 2025–2026 instance of the program.

Table 2: Upgrade Energy Management System Expenditures ($000)

Variance Type	Budget	Actual Expenditures	Variance
Annual	366.4	4.6	(361.8)
Program	366.4	4.6	(361.8)

Deferred work that becomes known after May 31 is not reflected in the subsequent CBA budget estimate, as there is insufficient time to make the adjustment before filing the CBA. For example, one of the pumps planned for overhaul on the 2024 instance of the Overhaul Pumps – Holyrood program was deferred to 2025 after the May 31 cutoff, and resulted in an under-expenditure in 2024, as shown in Table 3. As such, there was no opportunity to adjust the budget for the 2025 instance of the program, and the transferred scope contributed to an over-expenditure in 2025, as shown in Table 4.

Table 3: Overhaul Pumps – Holyrood (2024) ($000)

Variance Type	Budget	Actual Expenditures	Variance
Annual	661.0	134.7	(526.3)
Program	661.0	134.7	(526.3)

Table 4: Overhaul Pumps – Holyrood (2025) ($000)

Variance Type	Budget	Actual Expenditures	Variance
Annual	1,101.9	2,826.1	1,724.2
Program	1,101.9	2,826.1	1,724.2