Q. **Reference: Program 5: Replace Light-Duty Vehicles (2027–2028) Chart 3, page 5**

Provide details for the significant increase in the cost per unit for light-duty vehicles addressing whether Hydro has changed its vehicle specifications.

A. There are several factors contributing to the increase in unit cost for light-duty vehicles, with the primary driver being an increase in contingency. As noted in the proposal, recent implementation and adjustments of tariffs on vehicles, as well as the prices of components and materials used to fabricate vehicles, have increased uncertainty and volatility in the unit price of these assets. To mitigate these uncertainties, Newfoundland and Labrador Hydro ("Hydro") has increased the amount of contingency to approximately 20%. The contingency budget for the purchase of vehicles includes approximately 10% to accommodate potential price increases relating to various market factors. In addition, Hydro's uptake in electric vehicle deployment and a shift towards replacing cars with SUVs[1] or trucks, has also led to higher forecast unit costs.

Hydro notes another contributing factor to be two data entry errors in the budget for the 2027 Replace Light-Duty Vehicles program. There was a partial duplication of material cost spread between years one and two, which has resulted in an overestimation, and the In-Service Failure allowance was spread across both years when, as stated in the proposal, it was intended to be budgeted only in year one. Hydro has corrected these errors, with the updated estimate for Replace Light-Duty Vehicles (2027–2028) totalling $3,262,900; $2,625,100 in 2027 and $637,800 in 2028. The updated budget table, unit cost and program budget charts affected by this correction have been provided as Table 1, Chart 1 and Chart 2, respectively.

[1] Sport Utility Vehicle ("SUV").

Table 1: Program Estimate ($000)[2]

Program Cost	2027	2028	Beyond	Total
Material Supply	2,060.0	500.0	0.0	**2,560.0**
Labour	51.1	5.1	0.0	**56.2**
Consultant	0.0	0.0	0.0	**0.0**
Contract Work	0.0	0.0	0.0	**0.0**
Other Direct Costs	18.7	3.8	0.0	**22.5**
Interest and Escalation	76.4	27.9	0.0	**104.3**
Contingency	419.0	100.9	0.0	**519.9**
Total	**2,625.1**	**637.8**	**0.0**	**3,262.9**

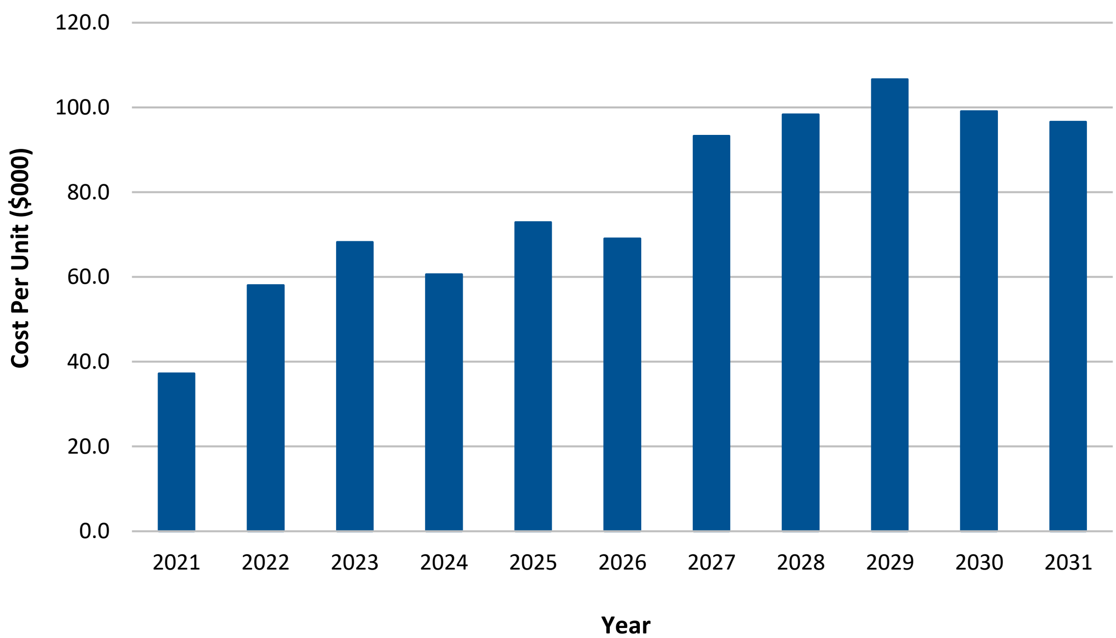

Chart 1: Historical and Forecast Average Unit Costs of Assets Installed/Replaced/Upgraded

[2] Numbers may not add due to rounding.

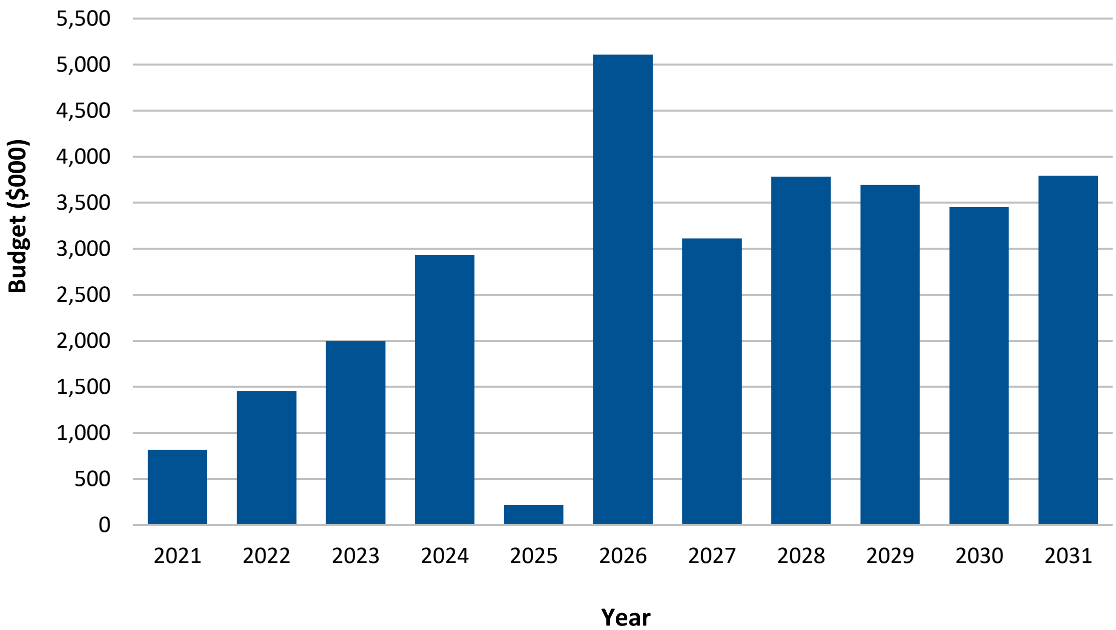

Chart 2: Historical and Forecast Program Budget