Q. **Reference: Program 16: Perform Facilities Refurbishments (2027) Appendix G, Facilities Management Jurisdictional Scan**

As requested in Order No. P.U.2(2026), provide a report that summarizes the jurisdictional scan, analyses the various methodologies employed by other utilities, and provides the Board a reasoned approach to be undertaken by Hydro going forward in assessing and estimating capital expenditures for Facilities Refurbishment.

A. Newfoundland and Labrador Hydro (“Hydro”) completed the jurisdictional scan as directed by the Board of Commissioners of Public Utilities (“Board”) in Order No. P.U. 2(2026). In that Order, the Board stated that the information available in the 2026 Capital Budget Application (“CBA”) was insufficient to determine whether the depreciation-based approach used to establish the annual budget for the new Perform Facilities Refurbishments program was the most appropriate methodology, and directed Hydro to review how other Canadian utilities estimate capital expenditures for facilities refurbishment and report its findings in the 2027 CBA.

The results of Hydro’s jurisdictional review are provided in Appendix G of Program 16, Perform Facilities Refurbishments (2027).

Hydro received responses from seven Canadian utilities with facilities under their ownership and management. The scan considered, among other matters, the use of building condition assessments, methods of prioritizing refurbishment work, development of cost estimates, regulatory approval requirements, and approaches used to establish prudent levels of facilities investment.

The scan did not identify a single standardized methodology used across utilities to establish an annual facilities refurbishment budget. Rather, the responses generally demonstrated that facilities capital planning is driven by identified needs at individual facilities. The majority of respondents indicated that safety and asset condition are important considerations in establishing priorities. Cost estimates are generally developed for identified scopes and refined as project definition and design progress.

Given the range of approaches identified through the jurisdictional scan, Hydro determined that its traditional methodology of developing scope-specific estimates for identified capital work remains the most appropriate approach and has therefore incorporated that methodology into its 2027 Facilities Refurbishments proposal.

Hydro's approach for the 2026 program differed from its traditional capital planning process because of the large number of relatively small refurbishment items that had been identified. Hydro therefore established an overall expenditure envelope, based in part on the inflation-adjusted original cost of its facilities, and proposed to undertake the highest-priority work that could be completed within that envelope. This approach was intended to provide flexibility to efficiently address a large quantity of low-materiality work. The Board approved $3.03 million for the 2026 program while directing Hydro to further assess the methodology for future applications.

For the 2027 CBA, Hydro did not continue to use the depreciation-based expenditure envelope as the primary means of establishing the program budget. With the individual scopes more clearly defined, Hydro returned to its traditional approach of developing estimates for each proposed scope of work. The resulting 2027 program estimate is therefore the aggregation of the detailed estimates for the specific work proposed for execution, rather than an amount established by applying a predetermined percentage or historical expenditure level. Hydro considers this approach consistent with the findings of the jurisdictional scan.

Going forward, Hydro intends to continue using a condition- and risk-based approach to determine the appropriate level of facilities refurbishment investment. Identified deficiencies will be assessed and prioritized using Hydro's Capital Risk Evaluation risk rating, with high-risk items addressed first and risk-spend efficiency considered in the prioritization of medium-risk work. The scope proposed in each annual CBA will then be estimated individually using Hydro's established estimating practices. Hydro will also continue completing condition assessments of its remaining facilities so that capital requirements can increasingly be informed by comprehensive and current asset-condition information.

Hydro considers this approach preferable to establishing the annual Facilities Refurbishments budget through depreciation, a fixed percentage of asset value, or another predetermined expenditure envelope. Such measures may provide useful high-level indicators of the potential long-term level of sustaining investment, but they do not directly identify which assets require intervention or the appropriate timing and cost of that intervention. A condition- and risk-based process, supported by scope-specific estimates, better aligns the level and timing of investment with the actual needs of Hydro’s facilities while maintaining appropriate consideration of safety, reliability, cost and execution capability.