

1 **Q. (Reference Application, 2023 Capital Budget Expenditure Status Report, page**
2 **1 of 6) How is it that budget and forecast are exactly the same for all 11**
3 **categories in the table?**
4

5 A. The *2023 Capital Budget Expenditure Status Report* (the "Report") is provided in
6 accordance with Order No. P.U. 38 (2022). The Report requires, among other things,
7 the variance between the projected total 2023 expenditures and the approved 2023
8 budget and an explanation of the variance.
9

10 Variances of more than 10% of approved expenditure and \$100,000 or greater are
11 explained in the Report.¹ If a project expenditure above this threshold is known and
12 measurable at the time the Report is prepared, the annual forecast is adjusted and a
13 variance explanation is provided.
14

15 The Report is prepared in the spring of each year. At that time, the construction season
16 has not started in full and year-to-date capital expenditures primarily relate to design
17 work which is internal labour intensive.² As such, annual variances greater than 10%
18 and \$100,000 for 2023 projects and programs are typically not known at that time.
19

20 While certain cost pressures may be known at the time the Report is filed, the extent of
21 the impact may not be certain, including any offsetting effects such as lower work level
22 requirements. Consistent with past practice, variances in actual expenditures from the
23 approved budget amounts will be reported to the Board in the Company's annual capital
24 expenditure report to be filed in February 2024.

¹ See Section V.C of the Provisional Guidelines.

² Materials and contractor labour would be more subject to cost pressures than internal labour costs, which are more stable from year to year.