

- 1 **Q. (Reference 2022 Capital Expenditure Report, Appendix A, Substations**
2 **Refurbishment and Modernization, page 1 of 8) It is stated that the project was**
3 **"\$2,086,000, or 30%, higher than the budget estimate. This increase was due**
4 **primarily to higher material costs and contractor labour costs compared to**
5 **budget estimates."**
- 6 **a) What portion of the overage was due to material and labour costs, and why**
7 **did NP not foresee higher labour and material costs?**
- 8 **b) Does a 30% overage show that NP needs to change its estimating process**
9 **to a methodology consistent with that documented in the Provisional**
10 **Capital Budget Guidelines, or some other cost estimating technique?**
- 11 **c) Have the higher than expected labour and material costs impacted the cost**
12 **estimates provided in the 2024 Capital Budget Application?**
- 13
- 14 **A.** a) While Newfoundland Power cannot provide an exact portion, the Company can
15 provide approximately 80% of the overage experienced on the *Substation*
16 *Refurbishment and Modernization* projects can be attributed to increased material
17 and contractor labour costs. For example, the 138 kV steel structure for Glovertown
18 Substation was approximately 46% higher than budgeted. Similarly, the Humber
19 Substation and Tors Cove Substation power transformers were 22% and 46% higher
20 than budget, respectively.
- 21
- 22 The budget amounts reflected the costs of the equipment at the time budget
23 estimates were prepared in the spring of 2021, with inflation applied. The actual
24 costs to procure the equipment in 2022 were higher than what could have been
25 reasonably estimated at the time of budget preparation.
- 26
- 27 b) No, Newfoundland Power does not need to change its estimating methodology. See
28 the response to Request for Information CA-NP-120 for further information.
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- 30 c) Yes, the project estimates for the *2024 Substation Refurbishment and Modernization*
31 projects have incorporated the material and contractor labour increases that have
32 been experienced by the Company and were known at the time of budget
33 preparation.