

1 Q. **Reference: Application, 2025 Capital Expenditures Overview, pages 6-7**

2 Regarding the variance for "Perform Level 2 Assessment Stage 1 and 2 Cooling Water Sump
3 Structures: It is stated "A notification of change to the project budget was communicated to the
4 Board on June 3, 2025".

5 a) Is that the protocol that is followed for all programs and projects for which variances
6 exceed 10% and \$100,000 of approved budget?

7 b) Other than this case, please identify any other programs or projects that were paused in
8 2025 based on the Board's direction following a notification of change to the Board from
9 Hydro? What about in 2024?

10
11
12 A. a) The Board of Commissioners of Public Utilities ("Board") issued provisional Capital Budget
13 Application Guidelines ("Guidelines")¹ that provide guidance on the protocol to be followed
14 for multi-year projects. Specifically, the Guidelines state:

15 "The proposed expenditures for each year of a multi-year project will be
16 considered together in the initial year of the application. Where a utility
17 confirms in its capital budget application in subsequent years that the scope,
18 nature and magnitude of the project continues to be consistent with the original
19 approval, further approval of the project is not required. If there is a material
20 change in a subsequent year the expenditures will be subject to further review.
21 A change will be considered material if the nature or scope of the project
22 changes such that that original rationale provided is no longer applicable or
23 where the revised forecast expenditure exceeds the approved amount by 10%
24 or more."

25 The Guidelines do not provide guidance on when a utility is required to advise the Board in
26 the event that a single-year project, or multi-year project in the final year of its execution, is
27 forecast to exceed the approved budget. Historically, Newfoundland and Labrador Hydro
28 ("Hydro") has proceeded with execution and advised the Board in its annual Capital

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

- 1 Expenditures and Carry-Over Report of any variances and the explanation for such
2 variances. However, given the significance of the forecast variance for the Perform Level 2
3 Assessment Stage 1 & 2 Cooling Water Sump Structures Project, Hydro felt it necessary to
4 advise the Board of the variance.
- 5 **b)** No projects or programs were paused by Hydro at the direction of the Board in 2024 or
6 2025.