Q. **Reference: CA-NLH-010 Table 1; CA-NLH-013 pp1-2; CA-NLH-066 p1; PUB-NLH-033 p1; CA-NLH-083 pp2-3; PUB-NLH-029 pp1-2; Volume I, Program 1 p15 Table 8, Program 2 pp5-6 and Program 3 pp2-4**

For the historical-average programs in CA-NLH-010, provide the calculations reconciling historical costs to the proposed 2027 budgets, including exclusions, activity or scope adjustments, escalation and previously approved expenditure. Provide the basis for current escalation assumptions and material contingency increases elsewhere in the CBA, distinguishing risks covered from amounts included in base estimates.

A. The budget for each of the referenced programs utilizes historical expenditure data to develop the estimate based on the average expenditures for the last three years. For the 2027 budgets specifically, the estimate is based on the actual annual expenditures for 2023–2025, as provided in Newfoundland and Labrador Hydro's ("Hydro") response to CA-NLH-091 of this proceeding and within the annual capital expenditures and carryover reports.[1] The actuals are individually escalated to the proposed execution year, at which point the average is calculated and established as the budget. Any material contingency increases have been addressed within the specific project proposal.

Scope additions are incorporated into the estimate in certain cases if identified in advance, such as planned capital spare purchases. In rare cases, as outlined in the specific project proposals, costs are excluded from the three-year average calculation if they are considered to be outliers due to the unlikelihood of failure to reoccur.[2]

[1] Hydro's capital expenditures and carryover reports are available on the Board of Commissioners of Public Utilities website.
[2] For example, expenditures in 2023 and 2024 associated with the Stephenville GT – Alternator Cooling Fan Failure were not included in the average calculation for the Combustion Turbine In-Service Failures (2027) program.