

1 **Q. (Reference 2024 Capital Expenditure Report, Appendix A Variance Notes)**
2 **It is stated (page 5 of 5) "In 2024, contractor costs are approximately**
3 **100% higher than 2020, reflecting an average annual increase of 25%."**
4 **Further on page 5 of 5 it is stated "The governor was originally estimated**
5 **at a cost of \$225,000 in 2022. When pricing was received in 2024, the**
6 **cost increased to \$441,000. Similarly, the cost of switchgear equipment**
7 **increased from \$270,000 to \$405,000 during the same period."**

8 **a) How are these cost increases impacting NP' s capital budget forecasts**
9 **and its assessments of alternatives going forward?**

10 **b) With these very high increases in costs and supply chain issues is NP**
11 **reconsidering its capital budget approach, and reassessing its approach**
12 **to behind-the-meter alternatives?**

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14 **A.** a) Newfoundland Power estimates capital expenditures through a mix of detailed
15 engineering estimates and historical averages for its capital projects and programs.
16 Recent operating experience, actual expenditures, and known cost increases at the
17 time of budget estimating are used to inform future budget forecasts for projects
18 and programs. In addition, these factors are applied in evaluating all alternatives for
19 required expenditures to ensure that any capital project or program proposed is
20 consistent with least-cost, reliable service.

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22 b) Newfoundland Power's capital budget approach applies sound engineering and
23 objective data to inform which expenditures are required annually. Further, the
24 Company's budgeting approach as outlined above ensures that budget estimates are
25 reflective of the best information available at the time of preparation. Newfoundland
26 Power has adjusted its budgeting methodology in the past to be more reflective of
27 forecast requirements.¹

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29 Additionally, Newfoundland Power considers behind-the-meter alternatives where
30 appropriate and applicable. For information on the Company's consideration of non-
31 wires alternatives, including behind-the-meter alternatives see the responses to
32 Requests for Information CA-NP-089 and CA-NP-091.

¹ For example, Newfoundland Power adjusted its estimating methodology from a five-year average to a three-year average for the *New Meters*, *Replacement Meters*, *New Transformers* and *Replacement Transformers* programs in the *2025 Capital Budget Application* and has maintained that approach in the *2026 Capital Budget Application*.