

1 Q. **Reference: Application, 2024 Capital Expenditures Overview**

2 It appears that a number of projects relating to Holyrood TGS came in over budget. Is this an  
3 anomaly, or is it a reflection of the condition of the generating station being worse than  
4 anticipated? Has Hydro made adjustments in the 2025 CBA to reflect the possibility that the  
5 condition of Holyrood TGS may be worse than anticipated?

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8 A. A number of programs and projects for the Holyrood Thermal Generating Station are forecast to  
9 exceed their budgets in 2024, as detailed in the 2024 Capital Expenditures Overview.<sup>1</sup> These  
10 forecasted variances are primarily a result of the condition of the assets being worse than  
11 anticipated, in addition to increased inflationary pressure and supply chain constraints. The  
12 extent of required refurbishment work for some programs and projects can only be determined  
13 after the equipment is removed from service and disassembled for inspection.

14 Newfoundland and Labrador Hydro (“Hydro”) continues to utilize historical capital expenditures  
15 and experience, combined with front-end engineering design, vendor quotes and contractor  
16 quotes, to develop future capital budget estimates. Due to the timing of activities necessary for  
17 the completion of the current year’s capital budget cycle, Hydro is unable to fully incorporate  
18 lessons learned from the immediately previous execution season. However, the lessons learned  
19 from previous capital budget cycles are utilized in the development of subsequent capital  
20 budget applications. Increased labour and material costs seen throughout 2023 have been  
21 incorporated as required, and Hydro used updated escalation assumptions in its estimating  
22 exercises for 2025 programs and projects.

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<sup>1</sup> “2025 Capital Budget Application,” Newfoundland and Labrador Hydro, July 16, 2024, sch. 5, sec. 5.0, pp. B-37–B-52.