

1 Q. **Reference: Schedule 5 2024 Capital Expenditures Overview, page B-14.**

2 Hydro states it makes strategic decisions to delay program work to future years based on updated
3 asset condition information, updated electrical system planning requirements, or improved
4 execution plans. As some programs are recurring every year, is the work delayed from one year to
5 the next treated as cancelled or carried over to a future year?

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8 A. When capital work within programs is rescheduled from the current year to subsequent years, it is
9 treated as a carryover from a work planning perspective and is added to the subsequent year's
10 annual work plan. From a budget perspective, the associated budget is carried over to the
11 subsequent years in some situations, depending on the timing of the repeating capital programs. Of
12 the \$15.1 million under-expenditure in 2023 related to program work rescheduled to future years,¹
13 approximately \$10.0 million of the budget was carried over to 2024, and approximately \$5.0 million
14 was not carried over.

15 ***Program Budget Carried Over***

16 There are two types of situations in which the program budget associated with rescheduled work is
17 carried over from one year to subsequent years:

18 I. When the rescheduled work is within a capital program that is scheduled to close and
19 there is no subsequent program for that asset type the following year, the program
20 completion date is extended and the remaining budget is carried over. For example,
21 completion of the Perform Combustor Inspection – Holyrood Gas Turbine Program was
22 rescheduled from 2023 to 2024 as the unit had not reached the number of equivalent
23 unit starts that would necessitate the inspection in 2023. As there is no program in
24 2024 for combustor inspections, it was necessary to extend the program into 2024 and
25 carry over the associated budget. A complete list of programs extended in this manner,

¹ "2025 Capital Budget Application," Newfoundland and Labrador Hydro, July 16, 2024, sch. 5, app. B, sec. 2.2, p. B-13.

1 accounting for approximately \$5.2 million of budget carryover into 2024, is summarized
2 in Table 1.

Table 1: Single-Year Capital Program Carryover

Program Title	2023 to 2024 Carryover Amount (\$)
Perform Combustor Inspection – Holyrood Gas Turbine	2,872,979
Overhaul Unit 2 Turbine and Valves (2023) – Holyrood	2,092,018
Holyrood Fuel Tank #1 Fuel Inspection and Refurbishment	190,790
Diesel Genset Replacements (2021–2022)	49,529
Replace Peripheral Infrastructure (2023) ²	42,780
Total	5,248,096

3 ii. When the rescheduled work is within a multi-year capital program that is not in its last
4 year, the budget associated with the rescheduled work is automatically carried over to
5 the subsequent year of that multi-year program. For example, the Diesel Genset
6 Replacement Unit 2021– L’Anse-au-Loup Program, planned to be completed in 2024,
7 experienced a late delivery of the new genset resulting in some 2023 costs carrying
8 over to 2024 within that program. A complete list of carryover from 2023 to 2024
9 within multi-year programs, accounting for approximately \$4.8 million of budget
10 carryover into 2024, is summarized in Table 2.

² Based on Newfoundland and Labrador Hydro’s approach to rescheduled work within a capital program, any such program which has a scope in the subsequent year would have the budget for the rescheduled work applied to that year’s program scope as opposed to being included in carryover. The Replace Peripheral Infrastructure (2023) Program contained carryover for 2023; however, as there was a subsequent program for that asset type in 2024, the rescheduled work totalling \$42,780 should have instead been added to the scope of the 2024 program.

Table 2: Multi-Year Capital Program Carryover

Program Title	2023 to 2024 Carryover Amount (\$)
Diesel Genset Replacement Unit 2012 – L'Anse-au-Loup	2,468,146
Diesel Genset Replacement Unit 2039 – St. Lewis	1,365,253
Replace Light- and Heavy-Duty Vehicles (2022–2024)	558,932
Terminal Station Renewal Program (2023–2024)	299,106
Diesel Genset Replacement Program (2023–2025)	67,075
Total	4,758,512

1 ***Program Budget Not Carried Over***

2 There is one scenario in which the budget associated with rescheduled work is not carried over
3 from one year to subsequent years:

- 4 i. When the rescheduled work is within a single-year program or a multi-year program in
5 its last year, and there is a subsequent program for that asset type the following year,
6 the remaining budget is not carried over. If the carried work is confirmed early in the
7 year, the subsequent program budget is adjusted prior to submission for Board of
8 Commissioners of Public Utilities approval to include the carried over work. However,
9 carryover work is generally not confirmed in time for inclusion in the subsequent year's
10 capital budget application. For example, the Replace Light- and Heavy-Duty Vehicles
11 Program (2021–2023) experienced late delivery of heavy-duty vehicles into 2024. The
12 program was closed in 2023 and the vehicles will be received as part of the available
13 Light- and Heavy-Duty Vehicles Program in 2024. When carried over work results in a
14 reportable variance for a program, the over-expenditure would be explained in the
15 subsequent year's Capital Expenditures and Carryover Report. A complete list of the
16 2023 program budget not carried over, totaling approximately \$5.0 million, is
17 summarized in Table 3.

Table 3: 2023 Program Budget Not Carried Over

Program Title	Amount Not Carried Over (\$)
Replace Light- and Heavy-Duty Vehicles (2021–2022)	1,477,055
Upgrade Circuit Breakers (2022–2023) – Various	1,254,650
Upgrade Power Transformers – Various (2022–2023) ³	1,114,949
Provide Service Extensions (2023) – Various	421,188
Replace Protective Relays – Various (2022–2023) ³	378,292
Overhaul Diesel Units (2023)	154,738
Purchase Tools and Equipment Less than \$50,000 (2023) – Labrador Region	76,643
Purchase Tools and Equipment Less than \$50,000 (2023) – Northern Region	75,889
Replace Disconnect Switches – Various (2022–2023) ³	53,584
Purchase Office Equipment Less Than \$50,000 (2023)	19,907
Purchase Tools and Equipment Less than \$50,000 (2023) – Central Region	17,869
Total	<u>5,044,764</u>

³ This is a sub-program within the Terminal Station Refurbishment and Modernization Program (2022–2023).