

- 1 **Q. (Reference Application, 2023 Capital Expenditure Report, Appendix A, page 3**
2 **of 12) It is stated "In 2023, capital expenditures for the Substations**
3 **Refurbishment and Modernization project were \$2,142,000, or 30%, higher**
4 **than the budget estimate, primarily due to higher material costs and**
5 **contractor labour costs as compared to budget estimates." Why were**
6 **material and labour costs so much higher than forecast? Higher material and**
7 **labour costs appear to be a recurring theme in the appendix.**
8
- 9 **A.** In recent years, supply chain disruptions have contributed to increased costs and lead
10 times for certain materials and equipment. As outlined in the response to Request for
11 Information CA-NP-121 on the Company's *2024 Capital Budget Application*, costs related
12 to the 138 kV steel structure for Glovertown Substation were approximately 46% higher
13 than budgeted. Similarly, the Humber Substation and Tors Cove Substation power
14 transformers were 22% and 46% higher than budget, respectively. Budgeted amounts
15 reflected the costs of the equipment and forecast inflation rates at the time budget
16 estimates were prepared in the spring of 2021. The actual costs to procure the
17 equipment in 2022 were higher than what could have been reasonably estimated at the
18 time of budget preparation.