Q. **(Reference 2027 Capital Budget Overview, estimate accuracy; 2025 Capital Expenditure Report; 2026 Capital Budget Expenditure Status Report; PUB-NP-014; NLH-NP-005; Board letter of August 10, 2026, Issue 5)**
Newfoundland Power expects estimates to be within ±10%, although it does not use estimate classes. Rose Blanche and other projects have material estimate revisions.

a) **For each project costing $5 million or more, and for each 2027 item whose estimate increased by more than 10% and at least $100,000, provide the prior and current scope and estimate; estimate date; engineering completion; pricing sources; quantities and rates; contingency; escalation; range; and basis for ±10% accuracy.**

b) **For each item approved at $750,000 or more, provide 2025 budget and final cost, and the 2026 budget, expenditure to date and forecast final cost. Show dollar and percentage variance, cause, as-of date, and flag items exceeding both guideline thresholds.**

c) **Describe the internal and regulatory process when forecast cost moves outside ±10%, including approval, re-estimation, scope review, re-prioritization and Board reporting.**

A. a) Newfoundland Power is unable to provide the requested information for the following reasons.

Newfoundland Power does not apply the referenced estimate range of plus or minus 10% to comparisons between capital project and program estimates previously identified in the five-year capital plan and capital project and program estimates proposed in its annual capital budget applications. The Company provides a five-year capital plan with its annual capital budget application to provide reasonable visibility of future investment priorities, in accordance with Board Order No. P.U. 35 (2003), and subsequent orders approving annual capital budget applications.[1]

Newfoundland Power's capital planning process commences each year with an update of the Company's five-year capital plan. Projects may be added, removed, deferred, advanced or rescoped based on the best information available at the time of review. In general, Newfoundland Power does not complete detailed engineering condition assessments or cost estimates for potential capital projects in the five-year capital plan beyond those proposed for Board approval in the upcoming budget year, including multi-year

[1] In Order No. P.U. 35 (2003), the Board required that Newfoundland Power file a five-year capital plan as part of its annual capital budget applications. While the Board does not specifically approve the five-year capital plan, the Board indicated that it provides a mechanism for maintaining the stability and predictability of the capital budget and capital works program.

projects.[2] The referenced estimate range of plus or minus 10% refers to the expected range for final costs of capital projects and programs upon completion of the work. The referenced estimate range of plus or minus 10% also aligns with the Board's annual reporting requirements of capital expenditures pursuant to the Provisional Guidelines.[3]

On an overall basis, Newfoundland Power's budgeting practices for its capital projects and programs have resulted in reasonably accurate results. Newfoundland Power's capital budget variances have not exceeded 10% in two consecutive years. Since 2013, the Company's annual capital budget variance has been within the 10% threshold, with the exception of 2024. The specific drivers of the 2024 variance were detailed in the *2024 Capital Expenditure Report* as required by section V.C.3 of the Provisional Guidelines.[4]

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[2] The Board has previously recognized its role in assessing proposed capital expenditures based on the best information available. In Board Order No. P.U. 28 (2010) it is stated, *"The Board expects that, in the context of preparing an annual capital budget, projects initially included in a 5-year capital plan would be reassessed in light of the most current information, including asset performance, engineering reviews, and updated forecasts of customer growth. Once a decision has been made by the utility to include a specific project in an annual capital budget the Board's role is to assess whether the evidence filed supports approval of the project expenditure."*

[3] The Provisional Guidelines require a detailed explanation for each variance where the actual expenditure was greater than the approved expenditure by both $100,000 and 10%. See the Provisional Guidelines, Section V.C, item 1.

[4] See the Provisional Guidelines, page 7 of 18.

b) Table 1 below provides the location within the *2027 Capital Budget Application* for each requested information item.

Table 1 Location of Requested Information		
Item	**Location in the 2027 Capital Budget Application**	**Page Number**
2025 Budget and Final Cost	2025 Capital Expenditure Report	Pages 3-13
2026 Budget	2026 Capital Budget Expenditure Status Report	Pages 1-7
2026 Expenditure to Date	2026 Capital Budget Expenditure Status Report	Pages 1-7
2026 Forecast of Final Cost	2026 Capital Budget Expenditure Status Report	Pages 1-7
2026 Dollar and Percentage of Variance	2026 Capital Budget Expenditure Status Report	Pages 1-7
2026 Cause of Variance	2026 Capital Budget Expenditure Status Report	Pages 1-7
2026 As-of Date	2026 Capital Budget Expenditure Status Report	Pages 1-7
2026 Items Exceeding Thresholds	2026 Capital Budget Expenditure Status Report	Pages 1-7
2025 Dollar and Percentage of Variance	2025 Capital Expenditure Report – Appendix A	Pages 1-7
2025 Cause of Variance	2025 Capital Expenditure Report – Appendix A	Pages 1-7
2025 As-of Date	2025 Capital Expenditure Report – Appendix A	Pages 1-7
2025 Items Exceeding Thresholds	2025 Capital Expenditure Report – Appendix A	Pages 1-7

c) During the execution of a capital project, capital costs incurred are continuously monitored and reviewed for potential variances. In instances where a potential variance is identified, the Company would report on the variance as part of its capital expenditures status report filed with its annual capital budget applications.[5] In addition, where material changes in scope and/or budget are identified, Newfoundland Power may undertake additional assessments to ensure the scope and budget of a capital project remains appropriate and may seek re-approval of the capital project.[6]

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5 For example, see the *2025 Capital Budget Expenditure Status Report*, Appendix A: Variance Notes, Page A-1.

6 For example, the *Transmission Line 94L Rebuild* project, which was originally approved in the *2022 Capital Budget Application*, was subsequently resubmitted for approval in the *2025 Capital Budget Application* following materially higher contractor pricing for the chosen alternative was received. For further information on this project, see the response to Request for Information PUB-NP-033 associated with Newfoundland Power's *2025 Capital Budget Application*.

Once an approved capital project is completed, Newfoundland Power reviews actual project costs against the approved budget. Where a project's final cost differs from the approved estimate by more than 10% and at least $100,000, Newfoundland Power identifies the cause of the variance and reports the dollar variance, percentage variance, and supporting explanation in its annual capital expenditure report. This approach is in accordance with the Provisional Guidelines.[7]

Further, in accordance with the Provisional Guidelines, if the overall capital expenditure variance exceeds 10%, Newfoundland Power is required to provide an explanation of all of the components that caused the actual total capital expenditures in that year to exceed the total approved capital budget and the efforts made to maintain the overall level of capital expenditures. See part a) above.

[7] See the Provisional Guidelines, page 7 of 18.