

1 Q. **Reference: PUB-NLH-056 and NP-NLH-001**

2 Further to the responses to PUB-NLH-056 and NP-NLH-001, please explain what specific action  
3 Hydro is taking to reduce the amount of the capital expenditure carryovers it has consistently  
4 experienced and whether Hydro plans to review whether the amount of carryover anticipated in  
5 a year will in the future influence the capital budget proposed for the following year.

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8 A. Newfoundland and Labrador Hydro (“Hydro”) conducts annual reviews to determine if the  
9 known carryover anticipated in a year should influence the capital budget proposed for the  
10 following year. As Hydro noted in its response to PUB-NLH-057, if Hydro identifies patterns on  
11 the ability to execute projects due to carryover from previous years, Hydro will take the  
12 necessary steps to mitigate those risks.

13 Hydro has taken a number of actions since 2018, as set out below, to reduce the amount of  
14 carryover, to the extent that the factors contributing to carryover are within Hydro’s control.  
15 Hydro notes that a significant portion of its carryover in recent years has been related to the  
16 transfer of budget from one year to another within multi-year projects and programs. This form  
17 of carryover is required to manage the overall multi-year project budget against the timing of  
18 actual cost accrual but does not necessarily reflect a change in overall project completion  
19 schedule or budget, and has no impact on reliability or costs to ratepayers.

20 The following are examples of specific actions that Hydro has taken or is taking to manage  
21 carryover:

- 22 ● Completing an annual review of the scope, schedule, and cost estimates for multi-year  
23 projects and programs continuing into the subsequent year to identify budget and  
24 schedule adjustments that can be made in advance of approval of the subsequent years  
25 as part of the upcoming Capital Budget Application;
- 26 ● Completion of annual expenditure analyses to identify themes and opportunities which  
27 may contribute to reduced capital expenditure variances in future years;

- 1           ● Application of additional scrutiny to its project and program schedules prior to the  
2           submission of project and program proposals, with an emphasis on confirming the  
3           following:
  - 4                   ○ Planned in-service dates for projects and programs align with the best  
5                   available asset condition and system planning information;
  - 6                   ○ Project and program schedules include adequate time for the regulatory  
7                   review process;
  - 8                   ○ Project and program schedules include adequate time for the procurement  
9                   of long-lead equipment; and
  - 10                  ○ Project and program schedules reflect a realistic amount of procurement  
11                  and construction activity in the first year of multi-year projects and  
12                  programs.
  
- 13          ● Engaging the project execution team early in the budget process to incorporate project  
14          and program experience and lessons learned into the estimates and proposals for  
15          capital budget applications;
  
- 16          ● Reviewing current procurement lead times for completed and ongoing projects and  
17          programs when preparing capital budget estimates, and adjusting schedules  
18          accordingly;
  
- 19          ● Annually gathering lessons learned from project and program change management and  
20          post-implementation reviews to populate a lessons learned database, which is  
21          referenced by estimators and project managers during project and program planning  
22          and execution to:
  - 23                  ○ Make improvements to the capital budget estimate checklist, such as  
24                  ensuring that environmental assessment requirements are considered; and
  - 25                  ○ Build and execute an annual project management improvement plan.
  
- 26          ● Improvements to capital execution planning including:
  - 27                  ○ Tracking capital work scopes against baselined completion dates; and

- 1                           o Preparing a bi-weekly report that is reviewed by senior managers and  
2                           capital program managers with a focus on the recovery of work at risk of  
3                           carryover.
  
- 4                           • Determining which capital project and program work scopes are required for winter  
5                           readiness for heightened planning, reporting and management of schedule risk as part  
6                           of the annual capital execution planning cycle;
  
- 7                           • Utilizing project management risk processes and tools to identify project and program  
8                           schedule risks and to develop risk mitigation plans;
  
- 9                           • Establishing a standing offer agreement with construction contractors for more  
10                           expedient engagement of contractors when challenges arise to schedule internal crews  
11                           for capital work;
  
- 12                           • Implementing improvements to the meeting agenda template used by project teams to  
13                           ensure that project and program work is ready in advance of construction start; and
  
- 14                           • Updating the template used for completing post-implementation reviews of projects  
15                           and programs for improved gathering of lessons learned.