

1 Q. In a number of responses (PUB-NLH-68, PUB-NLH-116, PUB-NLH 75 and PUB-NLH-  
2 95) it is stated that Hydro does not apply for approval for certain projects as multi-  
3 year projects as the project scope or costs can change each year. How is this  
4 different than the projects Hydro refers to as multi-year, where there have been  
5 significant changes in scope and cost such as the project to replace programmable  
6 logic controllers at Holyrood, the project to upgrade the gas turbine at Holyrood  
7 and the project for the new terminal station in Labrador City?

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10 A. When assessing capital projects Hydro considers the nature of the project to  
11 determine if it should be submitted as a multi-year or a one-year project. Key  
12 considerations that help determine whether to pursue multi-year versus single year  
13 projects are:

- 14 • Level of clarity at the time of project submission regarding current and  
15 subsequent year scope, costs and timing of capital expenditures;
- 16 • Linkage between activities that take place in multiple years; and
- 17 • Ability to complete in a single year.

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19 Multi-year capital projects have a level of clarity at time of estimation about current  
20 and subsequent year scope, costs and timing of the capital expenditure. These  
21 projects have a committed start and end date beyond one year and to optimize  
22 work performed in any year, all parts of the project need to be approved (e.g. new  
23 terminal station in Labrador, or replace programmable logic controllers at  
24 Holyrood). While there is a defined scope and projected cost at the commencement  
25 of the project, there are occasions when Hydro will encounter changes in cost and  
26 scope due to external factors in the execution of multi-year projects. In contrast, a

1 one-year project has a defined start and end date and is put in-service within one  
2 year.

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4 One-year projects can also be part of a program plan that can be adjusted annually  
5 to account for cost and scope changes. One-year capital programs are not  
6 dependent on the subsequent program years being completed. For example, at any  
7 given time, Hydro could propose to substantially alter or cease this type of program  
8 (e.g. change the methodology used to plan replacement of disconnects and  
9 batteries or upgrade circuit breakers or make changes to the wood pole  
10 maintenance program).

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12 Hydro will, in future capital budget applications, clearly indicate which projects it is  
13 considering multi-year projects