

1 Q. **Reference: Volume I: 2020 Capital Projects Overview**

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3 Hydro states on page 4, lines 24–25:

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5 Improvements to review process prior to finalizing project proposals.
6 Improvements commenced in the 2019 budget cycle, and are now fully
7 implemented for the 2020 budget cycle.

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9 Please describe with examples what improvements have been implemented to the review
10 process.

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13 A. The following improvements have been implemented for Newfoundland and Labrador Hydro’s
14 (“Hydro”) review process for capital project proposals:

15 • Long-Term Asset Planners have increased the use of quantifiable data and condition-
16 based assessments to determine project timing versus deciding project timing based
17 upon the asset’s years of service (e.g., power transformers).

18 • Hydro introduced a broader review and approval of project justification and scope prior
19 to commencing project proposals. This review and approval is documented through the
20 use of Hydro’s Front End Engineering and Design Alignment document. This form was
21 trialed for the 2018 capital budget cycle and has since been reviewed and improved for
22 the 2020 capital budget cycle.

23 • Hydro increased engagement of the Long-Term Asset Planners, experienced project
24 managers, and senior engineering personnel in the preparation of detailed project
25 schedules and estimates. This increased engagement is documented through the use of
26 Hydro’s Basis of Estimate document, which is approved prior to finalizing project
27 proposals. This form was trialed for the 2019 capital budget cycle, reviewed, improved,
28 and fully implemented for the 2020 capital budget cycle.

29 • Hydro implemented additional scrutiny of its project contingency estimates. Analysis of
30 the expenditures in 2017 and 2018 determined that contingency estimates were high
31 for many projects. As a result of this analysis, Hydro applied additional rigor to the

1 amount of contingency estimated for each project, starting with the 2020 budget cycle,
2 which had the effect of reducing the overall amount of contingency requested in the
3 2020 Capital Budget Application.