1 **Q.** **In NP's response to CA-NP-080, Attachment A, page 7 of 19 indicates that in 1991**
2 **the estimated cost of the current CSS was $7.5 million. However, due to cost**
3 **overruns, the actual cost turned out to be $10.173 million by the time the CSS was**
4 **operational in 1993. That was a 35.6% cost overrun.**
5
6 **a)** **What measures would NP take to avoid such a large cost overrun for a new**
7 **CIS?**
8
9 **b)** **Is the potential for such cost overruns a good reason for waiting until you have**
10 **vendor bids before going to the Board for approval of a $31.6 million project?**
11
12 **c)** **Will Newfoundland Power's shareholder absorb any cost overruns on the CSS**
13 **Replacement Project?**
14
15 A. a) Newfoundland Power's planning and execution of this project is designed to avoid
16 large cost overruns for a new Customer Information System.
17
18 Newfoundland Power's *Customer Service Continuity Plan* is based on a
19 comprehensive, expert assessment of current market trends, industry best practices
20 and the Company's operations. This expert assessment provides a sound cost
21 estimate for implementing a modern Customer Information System.
22
23 For information on the adequacy of Newfoundland Power's plan, see Request for
24 Information NLH-NP-009.
25
26 With respect to project execution, Newfoundland Power plans to implement the
27 governance models and change management protocols necessary to ensure a
28 successful implementation of a replacement system.
29
30 For information on Newfoundland Power's approach to change management, see
31 response to Request for Information NLH-NP-013.
32
33 b) No, the potential for cost overruns is not a good reason to wait until vendors bid
34 before going to the Board for approval of a $31.6 million project.
35
36 For information on a phased approval process, including the selection of vendors
37 prior to seeking Board approval, see response to Request for Information
38 PUB-NP-015.
39
40 c) Only costs adjudged by the Board to be reasonable and prudently incurred are
41 recovered from customers.