

1 Q. **Reference: Application Volume 1, 2022 Capital Budget Application – 2021 Capital Expenditures**
2 **Overview**

3 It appears that Hydro over-stated project costs for 2021. Has Hydro made any changes to
4 improve its cost estimating practices in the 2022 CBA?

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7 A. Please refer to Newfoundland and Labrador Hydro's ("Hydro") response to CA-NLH-016 of this
8 proceeding for information on refinements Hydro made through its 2022 Capital Budget
9 Application ("CBA"), including improvements to cost estimates.

10 2021 project costs were reflective of the information Hydro had at the time of the preparation
11 of the 2021 CBA. Annual budget underspends can be attributed to unanticipated changes to
12 both costs and schedule.

13 Examples of unanticipated cost reductions include:

- 14 ● Lessons learned from the execution of previous projects which lend to opportunities for
15 efficiencies and costs savings not previously anticipated; and
- 16 ● Tenders and bids which come in at lower cost than initially anticipated.

17 Examples of unanticipated schedule changes include:

- 18 ● New information which comes to light during the execution phase of a project that
19 requires the adjustment to the project schedule resulting in the carry-over work to a
20 future year;
- 21 ● Safety concerns such as those related to the COVID-19 pandemic that result in project
22 delays and the carry-over of work to a future year; and
- 23 ● System requirements, not previously anticipated, that cause equipment outages to be
24 reduced or cancelled resulting in the carry-over of work to a future year.