

1 Q. **Reference: General**

2 Some of Hydro’s programs do not include a contingency (i.e. Provide Service Extensions, Wood
3 Pole Line Management, Thermal In-Service Failures, Terminal Station In-Service Failures,
4 Hydraulic In-Service Failures, and Diesel In-Service Failures). What is Hydro’s methodology for
5 determining when a contingency should be included in a program estimate?

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8 A. Newfoundland and Labrador Hydro (“Hydro”) develops contingency amounts based on project
9 or program scope and historical experience. Programs that Hydro has executed in the past, such
10 as the Overhaul Hydraulic Units program, would have a lower contingency than a new, single-
11 instance project. This is due to the repetitive nature of the program work, resulting in fewer
12 unknowns around risks and constraints. Contingency is determined on a project-by-project basis
13 in consultation with internal project teams.

14 Hydro’s suite of In-Service Failure projects undertake immediate capital refurbishment and
15 replacement work required for its assets to maintain safe and reliable operation and to ensure
16 the availability of capital spares required to support such work. As the assets requiring
17 immediate, unplanned replacement or refurbishment work in a given year cannot be identified
18 in advance, Hydro uses historical data and engineering judgment to predict the magnitude of in-
19 service failure expenditures. Due to this budget methodology, additional contingency would not
20 be applied as the budget itself is a contingency for unknown critical work.