

1 Q. Further to the response to PUB-NLH-026, Hydro states that the original program budget was
2 completed using a preliminary desktop review of the route. However, in Hydro’s 2022 Capital
3 Budget Application under *Wood Pole Line Management Program (2022)* it is stated on page 9,
4 “Required refurbishment identified in 2021 inspections will be scheduled for 2023. This is to
5 introduce a one-year gap between inspections and the refurbishment that is identified from
6 them. This “gap year” will allow for better planning and more accurate cost estimating going
7 forward.”

8 a) Did Hydro implement any changes to the planning and cost estimating for this program
9 as a result of the “gap year”?

10 b) Will Hydro continue to use a preliminary desktop review of the route to develop
11 program budget?

12 c) Given the variance in the 2023 program expenditure, has Hydro considered introducing
13 another “gap year” to review planning and cost estimating again? If not, why not and
14 please explain any other initiatives that will be introduced to improve budget estimates.

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17 A. a) The original intent of the gap year was to provide additional time to execute all components
18 of the work including, but not limited to, work scope development, environmental
19 assessment, outage coordination, material and contractor procurement, and construction.
20 The addition of the staggered schedule was the change which allowed more time to
21 effectively plan the work, resulting in improved synergies and eliminating the risk of delays
22 as a result of delayed materials, unavailable outages, or inadequate time to complete
23 environmental mitigation. The original gap year also provided the ability to confirm a
24 detailed scope of work, which enabled Newfoundland and Labrador Hydro (“Hydro”) to
25 produce better-informed cost estimates for its capital budget submission.

26 Prior to the introduction of the gap year, the exact refurbishment required on a pole line
27 was not known at the time of estimating, as the prerequisite inspections were yet to be
28 performed. While the increased schedule provided by the implementation of the gap year

1 allowed for more informed program scopes, detailed environmental assessments are
2 difficult to complete prior to the development of the capital budget due to winter
3 conditions during the timeline for prerequisite inspections. As such, the gap year is not, nor
4 was it intended to be, a fundamental change in addressing the issue of establishing a
5 detailed environmental mitigation work scope to facilitate more comprehensive cost
6 estimating during the completion of the capital budget for the Wood Pole Line Management
7 Program.

- 8 **b)** Yes, Hydro will continue to review preliminary desktop information when developing the
9 program budget as a contributing source of information, and will also continue with other
10 initiatives to improve the accuracy of the estimate.¹ Hydro will also implement early field
11 review of future inspection areas identified in the five-year plan which are deemed to be
12 environmentally sensitive. This will allow the completion of fieldwork prior to the winter
13 season, and the associated projected environmental mitigation costs to be included in the
14 program budget.

15 It should be noted that even with increased environmental desktop and field assessment
16 prior to the program budgeting stage, the risk of cost overruns associated with
17 environmental mitigation remains due to unknowns associated with conditions below the
18 ground surface, and with contractor availability/pricing. As previously identified, historically
19 Hydro has not incurred significant cost overruns associated with environmental
20 mitigation/access. However, several of Hydro's pole lines are located in areas with difficult
21 access and sensitive terrain and are expected to have higher costs associated with the
22 refurbishment work as a result.

- 23 **c)** At this time, to prevent delay of the identified refurbishment work by an additional year,
24 Hydro is not considering introducing another gap year to review planning and cost
25 estimating. These pole lines are critical to system reliability, and the intended maintenance
26 should be completed as soon as possible to ensure customer reliability. Hydro believes that
27 the progression of the initiatives as outlined in its response to PUB-NLH-026 of this
28 proceeding will help to support and strengthen the estimating process going forward. Hydro

¹ Please refer to Hydro's response to PUB-NLH-026 of this proceeding for additional information on other initiatives Hydro is undertaking to improve the accuracy of the estimate.

- 1 will continue to review variances on a yearly basis and will revisit the program schedule in
- 2 future if required.