

WHENEVER. WHEREVER.
We'll be there.



February 26, 2021

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Dear Ms. Blundon:

Re: 2020 Capital Expenditure Report

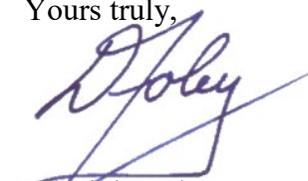
In accordance with the Board's February 12, 2021 notice regarding the activation of its Business Continuity Plan to address the COVID-19 pandemic, Newfoundland Power is providing its *2020 Capital Expenditure Report* (the "Report") in electronic format only. The Report is presented in compliance with Order No. P.U. 5 (2020).

The Report provides information on capital expenditures approved in Order Nos. P.U. 37 (2017), P.U. 35 (2018) and P.U. 5 (2020), including actual expenditures to December 31, 2020 and variances between actual and budgeted expenditures by project.

Variances of more than 10% of approved expenditures and \$100,000 or greater are explained in the Notes contained in Appendix A to the Report.

If you have any questions on the enclosed, please contact the undersigned at your convenience.

Yours truly,



Dominic Foley
Legal Counsel

Enclosure

cc. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, Q.C.
Browne Fitzgerald Morgan Avis

Newfoundland Power Inc.

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2020 Capital Expenditure Report

February 26, 2021

(Filed in compliance with Order No. P.U. 5 (2020))

WHENEVER. WHEREVER.
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NEWFOUNDLAND 
POWER
A FORTIS COMPANY

Newfoundland Power Inc.

2020 Capital Expenditure Report

Explanatory Note

This report is filed in compliance with Order No. P.U. 5 (2020) of the Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”).

Page 1 of the *2020 Capital Expenditure Report* outlines variances from budget of the capital expenditures approved by the Board in Order Nos. P.U. 37 (2017), P.U. 35 (2018) and P.U. 5 (2020). The tables on pages 2 through 14 provide additional detail on capital expenditures in 2020, and also include information on capital projects approved for 2018 and 2019 that were not completed prior to 2020. Page 14 provides additional detail on multi-year projects underway in 2020.

Variances of more than 10% of approved expenditure and \$100,000 or greater are explained in Appendix A. This is consistent with the variance criteria outlined in the *Capital Budget Application Guidelines*.

Newfoundland Power Inc.
2020 Capital Budget Variances
(000s)

	Approved ¹	Actual	Variance
Generation - Hydro	\$6,849	\$6,762 ²	(\$87)
Generation - Thermal	349	333	(16)
Substations	15,204	14,732 ³	(472)
Transmission	9,623	9,948 ⁴	325
Distribution	44,623	44,897 ⁵	274
General Property	2,467	2,473 ⁶	6
Transportation	3,869	3,869 ⁷	0
Telecommunications	108	112	4
Information Systems	6,772	7,282 ⁸	510
Unforeseen Allowance	750	0	(750)
General Expenses Capitalized	6,000	6,578	578
Total	\$96,614	\$96,986	\$372
Projects carried forward from 2019		\$3,175 ⁹	

¹ Approved in Order No. P.U. 5 (2020).

² Includes forecast expenditure of \$4,638,000 for *Generation – Hydro* projects carried forward into 2021.

³ Includes forecast expenditure of \$215,000 for the *Substation Feeder Termination* project carried forward into 2021.

⁴ Includes forecast expenditure of \$1,946,000 for the *Transmission Line Rebuild* project carried forward into 2021.

⁵ Includes forecast expenditure of \$2,492,000 for *Distribution* projects carried forward into 2021.

⁶ Includes forecast expenditure of \$90,000 for the *Company Building Renovations* project carried forward into 2021.

⁷ Includes forecast expenditure of \$1,615,000 for the *Purchase Vehicles and Aerial Devices* project carried forward into 2021.

⁸ Includes forecast expenditure of \$543,000 for *Information Systems* projects carried forward into 2021.

⁹ Actual 2020 expenditures associated with projects carried forward from 2019.

**2020 Capital Expenditure Report
(000s)**

	Capital Budget			Actual Expenditure		Carryover	Total	Variance
	2018-2019	2020	Total	2018-2019	2020			
	A	B	C	D	E			
2020 Projects	\$ -	\$ 96,614	\$ 96,614	\$ -	\$ 85,447	\$ 11,539	\$ 96,986	\$ 372
2019 Projects	\$ 22,637	\$ -	\$ 22,637	\$ 19,843	\$ 3,075	\$ 100	\$ 23,018	\$ 381
Grand Total	\$ 22,637	\$ 96,614	\$ 119,251	\$ 19,843	\$ 88,522	\$ 11,639	\$ 120,004	\$ 753

Column A Approved Capital Budget for 2018-2019
Column B Approved Capital Budget for 2020
Column C Total of Columns A and B
Column D Actual Capital Expenditure for 2018-2019
Column E Actual Capital Expenditure for 2020
Column F Capital Projects Carried Forward to 2021
Column G Total of Columns D, E and F
Column H Column G less Column C

**2020 Capital Expenditure Report
(000s)**

Category: Generation - Hydro

	Capital Budget		Actual Expenditure		Variance	Notes*	
	2020	Total	2020	Carryover			Total
	A	B	C	D			E
<u>2020 Projects</u>							
Facility Rehabilitation	\$ 1,519	\$ 1,519	\$ 1,368	\$ 60	\$ 1,428	\$ (91)	
Petty Harbour Plant	3,662	3,662	337	3,325	3,662	-	
Rattling Brook Plant Refurbishment	1,183	1,183	100	1,083	1,183	-	
	\$ 6,364	\$ 6,364	\$ 1,805	\$ 4,468	\$ 6,273	\$ (91)	

* See Appendix A for notes containing variance explanations.

Column A Approved Capital Budget for 2020
Column B Total of Column A
Column C Actual Capital Expenditure for 2020
Column D Capital Projects Carried Forward to 2021
Column E Total of Columns C and D
Column F Column E less Column B

**2020 Capital Expenditure Report
(000s)**

Category: Generation - Thermal

	Capital Budget		Actual	Carryover	Total	Variance	Notes*
	2020	Total	Expenditure				
	A	B	2020	D	E	F	
2020 Projects							
Facility Rehabilitation Thermal	\$ 349	\$ 349	\$ 333	\$ -	\$ 333	\$ (16)	
	\$ 349	\$ 349	\$ 333	\$ -	\$ 333	\$ (16)	

* See Appendix A for notes containing variance explanations.

Column A Approved Capital Budget for 2020
Column B Total of Column A
Column C Actual Capital Expenditure for 2020
Column D Capital Projects Carried Forward to 2021
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Column F Column E less Column B

**2020 Capital Expenditure Report
(000s)**

Category: Substations

	<u>Capital Budget</u>		<u>Actual</u>	<u>Carryover</u>	<u>Total</u>	<u>Variance</u>	<u>Notes*</u>
	<u>2020</u>	<u>Total</u>	<u>2020</u>				
	A	B	C	D	E	F	
<u>2020 Projects</u>							
Substation Refurbishment and Modernization	\$ 10,856	\$ 10,856	\$ 10,018	\$ -	\$ 10,018	\$ (838)	
Replacements Due to In-Service Failures	3,269	3,269	3,684	-	3,684	415	1
PCB Bushing Phaseout	789	789	739	-	739	(50)	
Substation Feeder Termination	290	290	76	215	291	1	
	<u>\$ 15,204</u>	<u>\$ 15,204</u>	<u>\$ 14,517</u>	<u>\$ 215</u>	<u>\$ 14,732</u>	<u>\$ (472)</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2020
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2020
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Column F	Column E less Column B

**2020 Capital Expenditure Report
(000s)**

Category: Transmission

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2019	2020	Total	2019	2020				
	A	B	C	D	E				
2020 Projects									
Rebuild Transmission Lines	\$ -	\$ 9,623	\$ 9,623	\$ -	\$ 8,002	\$ 1,946	\$ 9,948	\$ 325	
	\$ -	\$ 9,623	\$ 9,623	\$ -	\$ 8,002	\$ 1,946	\$ 9,948	\$ 325	
2019 Projects									
Relocate 114L	\$ 310	\$ -	\$ 310	\$ -	\$ 385	\$ -	\$ 385	\$ 75	
	\$ 310	\$ -	\$ 310	\$ -	\$ 385	\$ -	\$ 385	\$ 75	

* See Appendix A for notes containing variance explanations.

- Column A Approved Capital Budget for 2019
- Column B Approved Capital Budget for 2020
- Column C Total of Columns A and B
- Column D Actual Capital Expenditure for 2019
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**2020 Capital Expenditure Report
(000s)**

Category: Distribution

	<u>Capital Budget</u>		<u>Actual</u>	<u>Carryover</u>	<u>Total</u>	<u>Variance</u>	<u>Notes*</u>
	<u>2020</u>	<u>Total</u>	<u>Expenditure</u>				
	A	B	2020 C				
<u>2020 Projects</u>							
Extensions	\$ 11,318	\$ 11,318	\$ 10,561	\$ -	\$ 10,561	\$ (757)	
Meters	741	741	832	-	832	91	
Services	3,272	3,272	2,890	-	2,890	(382)	2
Street Lighting	2,635	2,635	3,477	-	3,477	842	3
Transformers	6,581	6,581	5,628	-	5,628	(953)	4
Reconstruction	5,513	5,513	6,275	-	6,275	762	5
Rebuild Distribution Lines	3,985	3,985	4,477	-	4,477	492	6
Relocate/Replace Distribution Lines For Third Parties	2,553	2,553	2,745	-	2,745	192	
Trunk Feeders	2,820	2,820	707	2,050	2,757	(63)	
Feeder Additions for Growth	2,302	2,302	1,718	442	2,160	(142)	
Distribution Reliability Initiative	1,950	1,950	2,139	-	2,139	189	
Distribution Feeder Automation	756	756	722	-	722	(34)	
Allowance for Funds Used During Construction	197	197	234	-	234	37	
	<u>\$ 44,623</u>	<u>\$ 44,623</u>	<u>\$ 42,405</u>	<u>\$ 2,492</u>	<u>\$ 44,897</u>	<u>\$ 274</u>	

* See Appendix A for notes containing variance explanations.

Column A	Approved Capital Budget for 2020
Column B	Total of Column A
Column C	Actual Capital Expenditure for 2020
Column D	Capital Projects Carried Forward to 2021
Column E	Total of Columns C and D
Column F	Column E less Column B

**2020 Capital Expenditure Report
(000s)**

Category: General Property

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2019	2020	Total	2019	2020				
	A	B	C	D	E				
<u>2020 Projects</u>									
Tools and Equipment	\$ -	\$ 476	\$ 476	\$ -	\$ 496	\$ -	\$ 496	\$ 20	
Additions to Real Property	-	519	519	-	485	-	485	(34)	
Company Building Renovations	-	1,172	1,172	-	1,116	90	1,206	34	
Physical Security Upgrades	-	300	300	-	286	-	286	(14)	
	<u>\$ -</u>	<u>\$ 2,467</u>	<u>\$ 2,467</u>	<u>\$ -</u>	<u>\$ 2,383</u>	<u>\$ 90</u>	<u>\$ 2,473</u>	<u>\$ 6</u>	
<u>2019 Projects</u>									
Company Building Renovations	\$ 1,374	\$ -	\$ 1,374	\$ 1,182	\$ 543	\$ -	\$ 1,725	\$ 351	7
	<u>\$ 1,374</u>	<u>\$ -</u>	<u>\$ 1,374</u>	<u>\$ 1,182</u>	<u>\$ 543</u>	<u>\$ -</u>	<u>\$ 1,725</u>	<u>\$ 351</u>	

* See Appendix A for notes containing variance explanations.

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**2020 Capital Expenditure Report
(000s)**

Category: Transportation

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2019 A	2020 B	Total C	2019 D	2020 E				
2020 Projects									
Purchase Vehicles and Aerial Devices	\$ -	\$ 3,869	\$ 3,869	\$ -	\$ 2,254	\$ 1,615	\$ 3,869	\$ -	
	\$ -	\$ 3,869	\$ 3,869	\$ -	\$ 2,254	\$ 1,615	\$ 3,869	\$ -	
2019 Projects									
Purchase Vehicles and Aerial Devices	\$ 3,990	\$ -	\$ 3,990	\$ 2,648	\$ 1,575	\$ -	\$ 4,223	\$ 233	
	\$ 3,990	\$ -	\$ 3,990	\$ 2,648	\$ 1,575	\$ -	\$ 4,223	\$ 233	

* See Appendix A for notes containing variance explanations.

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**2020 Capital Expenditure Report
(000s)**

Category: Telecommunications

	Capital Budget		Actual Expenditure	Carryover	Total	Variance	Notes*
	2020	Total	2020				
	A	B	C	D	E	F	
<u>2020 Projects</u>							
Replace/Upgrade Communications Equipment	\$ 108	\$ 108	\$ 112	\$ -	\$ 112	\$ 4	
	<u>\$ 108</u>	<u>\$ 108</u>	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ 112</u>	<u>\$ 4</u>	

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**2020 Capital Expenditure Report
(000s)**

Category: Information Systems

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2019	2020	Total	2019	2020				
	A	B	C	D	E				
2020 Projects									
Application Enhancements	\$ -	\$ 1,428	\$ 1,428	\$ -	\$ 1,346	\$ 135	\$ 1,481	\$ 53	
System Upgrades	-	2,592	2,592	-	2,422	408	2,830	238	
Personal Computer Infrastructure	-	493	493	-	648	-	648	155	8
Shared Server Infrastructure	-	1,276	1,276	-	1,275	-	1,275	(1)	
Network Infrastructure	-	473	473	-	487	-	487	14	
Cybersecurity Upgrades	-	510	510	-	561	-	561	51	
\$ -	\$ 6,772	\$ 6,772	-	6,739	\$ 543	\$ 7,282	\$ 510		
2019 Projects									
Cybersecurity Upgrades	\$ 398	\$ -	\$ 398	\$ 271	\$ 146	\$ -	\$ 417	\$ 19	
System Upgrades	1,013	-	1,013	838	116	-	954	(59)	
\$ 1,411	\$ -	\$ 1,411	\$ 1,109	\$ 262	\$ -	\$ 1,371	\$ (40)		

* See Appendix A for notes containing variance explanations.

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**2020 Capital Expenditure Report
(000s)**

Category: Unforeseen Allowance

	<u>Capital Budget</u>		<u>Actual</u>	<u>Carryover</u>	<u>Total</u>	<u>Variance</u>	<u>Notes*</u>
	<u>2020</u>	<u>Total</u>	<u>2020</u>				
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	
<u>2020 Projects</u>							
Allowance for Unforeseen Items	\$ 750	\$ 750	\$ -	\$ -	\$ -	\$ (750)	9
	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (750)</u>	

* See Appendix A for notes containing variance explanations.

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**2019 Capital Expenditure Report
(000s)**

Category: General Expenses Capitalized

	Capital Budget		Actual	Carryover	Total	Variance	Notes*
	2020	Total	Expenditure				
	A	B	2020	D	E	F	
<u>2020 Projects</u>							
General Expenses Capitalized	\$ 6,000	\$ 6,000	\$ 6,578	\$ -	\$ 6,578	\$ 578	
	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,578</u>	<u>\$ -</u>	<u>\$ 6,578</u>	<u>\$ 578</u>	

* See Appendix A for notes containing variance explanations.

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2020 Capital Expenditure Report
Multi-Year Projects
(000s)

Category: Multi-Year Projects

	Capital Budget			Actual Expenditure		Carryover	Total	Variance	Notes*
	2018 - 2019	2020	Total	2018 - 2019	2020				
	A	B	C	D	E	F	G	H	
<u>2020 Component</u>									
<u>Generation - Hydro</u>									
Topsail Hydro Plant Refurbishment	\$ -	\$ 485	\$ 485	\$ -	\$ 319	\$ 170	\$ 489	\$ 4	
	<u>\$ -</u>	<u>\$ 485</u>	<u>\$ 485</u>	<u>\$ -</u>	<u>\$ 319</u>	<u>\$ 170</u>	<u>\$ 489</u>	<u>\$ 4</u>	
<u>2018-2019 Component</u>									
<u>Generation - Thermal</u>									
Purchase Mobile Generation	\$ 13,915	\$ -	\$ 13,915	\$ 13,179	\$ 78	\$ 100	\$ 13,357	\$ (558)	
<u>Information Systems</u>									
Human Resource Management System Replacement	1,637	-	1,637	1,725	232	-	1,957	320	10
	<u>\$ 15,552</u>	<u>\$ -</u>	<u>\$ 15,552</u>	<u>\$ 14,904</u>	<u>\$ 310</u>	<u>\$ 100</u>	<u>\$ 15,314</u>	<u>\$ (238)</u>	

* See Appendix A for notes containing variance explanations.

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Substations

1. *Replacements Due to In-Service Failures:*

Budget: \$3,269,000

Actual: \$3,684,000

Variance: \$415,000

Actual expenditure on the *Replacements Due to In-Service Failures* project was \$415,000 or 13% above the budget estimate.

The budget estimate was based on historical costs over the previous 5 years.

The variance is principally due to increased labour costs associated with adhering to public health measures related to COVID-19. Examples of operational changes made to maintain social distancing included: (i) introducing staggered hours of work to reduce employee contact; (ii) modifying work procedures such as permitting one person in the buckets of double bucket trucks rather than two; and (iii) limiting one employee per vehicle which resulted in the use of multiple vehicles to accommodate crews of two or more.

Distribution

2. *Services:*
Budget: \$3,272,000 Actual: \$2,890,000 Variance: (\$382,000)

Actual expenditure associated with the *Services* project was \$382,000 or 12% below the budget estimate.

The *Services* budget estimate is determined based on the forecast number of new customer connections, the average historical cost of connecting a new customer, and the average cost of replacing existing services over the last 5 years. The budget was based on 2,639 new customer connections. Actual customer connections were 2,062, or 22% below plan. The lower number of new customer connections resulted in reduced expenditure.

Reduced costs associated with the *Services* project were partially offset by costs related to the adherence to COVID-19 safety protocols.

3. *Street Lighting:*
Budget: \$2,635,000 Actual: \$3,477,000 Variance: \$842,000

Actual expenditure on the *Street Lighting* project was \$842,000 or 32% more than the budget estimate.

The *Street Lighting* budget estimate of \$2,635,000 was based on the average expenditure incurred over the past five years. The average number of units installed or replaced over the past five years was 2,575. The actual number of street lights installed or replaced in 2020 was 3,534, an increase of 37% or 959 street lights. Of the increase, 844 were replaced due to failure of the street light.

Distribution

4. *Transformers:*
Budget: \$6,581,000 Actual: \$5,628,000 Variance: (\$953,000)

Actual expenditure required for transformer purchases was \$953,000 or 14% below budget. This was largely due to lower than expected customer growth. In 2020, actual customer connections were 22% below plan which resulted in reduced expenditure.

5. *Reconstruction:*
Budget: \$5,513,000 Actual: \$6,275,000 Variance: \$762,000

Actual expenditure on the *Reconstruction* project was \$762,000 more than budget.

The *Reconstruction* project involves the replacement of deteriorated distribution structures identified through regular inspections and during site visits to address operational issues, including power interruptions and customer trouble calls. The variance is principally due to greater than expected workload compared to the previous 5-year historical average.

Adherence to COVID-19 related safety protocols also contributed to increased cost.

6. *Rebuild Distribution Lines:*
Budget: \$3,985,000 Actual: \$4,477,000 Variance: \$492,000

Actual expenditure on the *Rebuild Distribution Lines* project was \$492,000 more than budget. The budget was based on average historical expenditures over the last 5 years.

This project involves the replacement of deteriorated distribution structures identified through the Company's ongoing preventative maintenance program. In 2020, actual expenditures were higher than the budget estimate primarily because more work was identified through inspections and engineering assessments compared to the 5-year historical average.

Adherence to COVID-19 related safety protocols also contributed to increased cost.

General Property

7. *Company Building Renovation (2019 Project):*
Budget: \$1,374,000 Actual: \$1,725,000 Variance: \$351,000

The *Company Building Renovations* project was \$351,000 above budget. The variance is principally due to higher than expected tender pricing received for both the Salt Pond and Glovertown building renovations.

Information Systems

8. *Personal Computer Infrastructure:*

Budget: \$493,000

Actual: \$648,000

Variance: \$155,000

Actual expenditure for the *Personal Computer Infrastructure* project was \$155,000 above budget. The budget estimate of \$493,000 was based on the anticipated replacement of 60 desktop computers and 85 mobile computers in 2020.

Newfoundland Power's response to COVID-19 was the primary driver of cost variance.

In 2020, the Company enacted its pandemic business continuity plan. To ensure the health and safety of the workforce, many employees transitioned to working from home for an extended period of time. In order to accommodate remote work, the Company reduced the number of desktop computers purchased from 60 to 21 and increased the number of mobile computers purchased from 85 to 160. The Company also purchased the required peripheral devices such as monitors, wireless routers, docking stations, etc.

Due to the pandemic, there was a global supply shortage of mobile computers and related equipment in 2020, resulting in an overall price increase. Additionally, discounts normally associated with bulk purchase orders were not offered.

Unforeseen Allowance

9. *Allowance for Unforeseen Items:*
Budget: \$750,000 Actual: \$0 Variance: (\$750,000)

No expenditure was required for this project in 2020.

Multi Year Projects

10. *Human Resource Management System Replacement (2018/2019 Project):*
Budget: \$1,637,000 Actual: \$1,957,000 Variance: \$320,000

The *Human Resource Management System Replacement* project was approved by the Board in Order No. P.U. 37 (2017), as a 2-year project over 2018 and 2019. Delays related to extended collective bargaining and the implementation of cybersecurity measures resulted in the project being carried forward into 2020.

The requirement to adhere to COVID-19 related safety protocols including engaging with contractors remotely also contributed to delayed implementation and increased cost.

The initial implementation, which was planned for 2019 included a planned version upgrade in 2020. With implementation finalized in 2020, the application was upgraded as part of the original implementation. This eliminated the requirement for additional testing and partially offset the overall cost of the upgrade.