

1 Q. **Reference: Application**

2 With respect to the prioritization process used in the 2022 Capital Budget Application.

- 3 a) Which entity within Hydro is responsible for developing project prioritization?
- 4 b) Please provide all documentation between Hydro senior management and line  
5 managers relating to prioritization and cost efficiencies during the preparation of the  
6 2022 CBA.
- 7 c) Please provide any documentation from Hydro senior management to line managers  
8 with respect to the 2022 CBA relating to budget control in light of rate pressures  
9 brought on by the Muskrat Falls Project and the economic downturn in the Province.
- 10 d) If there is no such documentation, please explain how Hydro senior management  
11 communicated to line managers which capital projects were to be included in the 2022  
12 CBA, and which capital projects were to be included in Hydro's planned 2023 to 2026  
13 capital expenditures.

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- 16 A. a) Prioritization of the investments proposed in the capital budget application ("CBA") is  
17 reviewed at multiple levels within the organization to ensure alignment with corporate  
18 priorities and direction. Generally speaking, projects are initially prioritized by each  
19 operational area. Projects are reviewed by the Capital Planning Department to ensure  
20 alignment on scope and cost. Once the projects have passed the initial justification review  
21 process for inclusion in the CBA, the projects are prioritized using the matrix model by the  
22 respective long-term asset planners. The Capital Planning Department then reviews for  
23 consistency and appropriateness within the ranking. Finally, a review of the overall  
24 proposed capital budget and areas of spend, as well as any projects requiring specific  
25 discussion, is completed with the Executive Leadership team and respective senior  
26 managers. Throughout each step of the process, projects may be amended or deferred as  
27 appropriate.

1           b) Between the fall of 2020 and the spring of 2021, six engagement sessions were held with  
2           various internal business units and stakeholder groups to discuss capital planning priorities  
3           and expectations. Please refer to CA-NLH-013, Attachment 1 for the presentation which was  
4           used as the basis for discussion in these sessions. The sessions were hosted by senior  
5           management and an executive representative.

6           Given the major projects contemplated in Hydro's five-year plan (e.g., southern Labrador  
7           interconnection, Bay d'Espoir penstock life extension) as well as the current operating  
8           environment and forecast rate pressures, senior management also held engagement  
9           sessions with the Capital Planning Department and the Executive Leadership team focused  
10          on seeking opportunities to reduce costs without compromising safety or reliability. This  
11          direction was further communicated to long-term planning and engineering personnel  
12          through meetings and phone calls.

13          c) Please refer to part b).

14          d) Please refer to part b).

# Capital Planning Reconnect

*Presentation to Stakeholders  
October 2020*



# Agenda

- 1 Hydro's Capital Investment Strategy
- 2 Purpose and Objectives of the Capital Planning Initiative
- 3 Capital Planning Areas of Focus
- 4 What have we achieved so far?
- 5 Future plans
- 6 Questions?

# NL Hydro's Capital Investment Strategy



Responsibly steward the management of Hydro's electrical system and investments therein to the benefit of customers



Provide reliable service at the lowest possible cost



Evidence-based decision-making reflecting asset condition and operational and system requirements

# Purpose of the Capital Planning Initiative

- Capital investment has a material impact on rates.
- Balance cost management, reliability, safety, and environmental stewardship.
- Reduction in capital investment in all areas will be pursued but required capital investment will be undertaken if justified.
- Develop capital plans that are set up for execution success.

# Objectives of the Capital Planning Initiative

Review current capital investment planning to find areas to reduce capital costs with the goal of maintaining capital investment at \$108 M for 2021, 2022

Utilize change management principles and practices to smoothly transition organization from current state to future state

# Capital Planning Areas of Focus

## Asset Management

Condition vs age based investment

Data driven decision making

Quantitative risk

## Capital Budget Phase

Improved estimating

Capital planning for execution success

Leveraging the repetitive nature of our work

## Capital Execution Phase

Underspend/carry over improvement

Deliverables based engineering planning

Engineering to support Integrated Planning



# What have we achieved so far?



Hydro's 2020 five-year capital plan was 32%<sup>1</sup> less than the 2018 five-year plan.



Held 2021 Capital Investment to \$107.5M which included \$11.4M for continued generation at HTGS.



2021 CBA Rural Generation capital investment is \$6.6M which is significantly lower than the five year average of \$12.5M.

**It is important to note that Hydro anticipates major capital investment in the near term associated with BDE Penstock Life Extension and the Southern Labrador Long-term Solution for Supply.**

<sup>1</sup> Reflective of Board approved capital budget amounts, budgeted supplemental amounts (net of contribution in aid of construction amounts), less growth projects (such as TL 266, TL 267 and Muskrat Falls to Happy Valley Interconnection Project).

## Future Plans

- Continue the shift from time based to condition based investment.
- Look for opportunities for earlier planning and efficiencies in the CBA process.
- Continue to improve estimates and identify opportunities to reduce capital project carryovers.
- Utilize change management principles and practices to ensure collaboration and engagement across the organization.



# Questions?



Sharing our ideas in an open and supportive manner to achieve excellence.

# Teamwork

## Open Communication

Fostering an environment where information moves freely in a timely manner.

## Honesty and Trust

Being sincere in everything we say and do.

Relentless commitment to protecting ourselves, our colleagues, and our community.

## Safety

## Respect and Dignity

Appreciating the individuality of others by our words and actions.

## Leadership

Empowering individuals to help, guide and inspire others.

Holding ourselves responsible for our actions and performance.

## Accountability

