

1 **PROJECT AND PROGRAM APPROVAL AND CONTROL**

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3 **1.0 INTRODUCTION**

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5 As described in Exhibit A, Tab 14, Schedule 1, there are a number of key steps within the
6 overall business planning cycle which are typically completed prior to the development
7 of more detailed project and program assessments. These prerequisite steps include:
8 needs identification, project/program prioritization, and development of preliminary work
9 programs, based on estimates of project and program costs and benefits. Once the
10 preliminary plans have been accepted at the proof-of-concept stage and have gone
11 through the work program prioritization process described in Exhibit A, Tab 14, Schedule
12 5, detailed analysis of preferred alternatives and costs is completed for individual
13 projects, and business cases based on the detailed analysis and cost estimates are prepared
14 for review and approval.

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16 **2.0 PROJECT AND PROGRAM APPROVAL**

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18 Once the final investment plan proposal and associated funding requirements are
19 established, Senior Management approves the programs included, based on the proof-of-
20 concepts presented during the work program prioritization process. Business cases
21 (Investment Justification Documents (IJD)), are prepared for project proposals, a template
22 for which is provided as Attachment A to this exhibit. This ensures consistent development
23 and assessment of proposals. The IJD template includes such factors as the need for the
24 investment including the implications of not doing the work, the results to be obtained and
25 the recommended solution and its cost. In determining the recommended solution,
26 alternative approaches and project risks are considered. The factors considered include
27 asset condition assessments and performance data as well as other relevant information
28 concerning the long-term needs of the system. The business cases are then reviewed in a

1 series of steps at the management and executive levels, depending on the dollar limit and
2 significance of the investment. Projects and programs are approved consistent with the
3 Organizational Authority Register (OAR -- see Exhibit A, Tab 8, Schedule 2). Strategic
4 investments are reviewed and approved by the Hydro One Board.

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6 **3.0 MONITORING AND CONTROL**

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8 Each month, management monitors year-to-date expenditures and accomplishments as
9 well as projected year-end expenditures. Deviations from plans are identified and
10 corrective action taken. In the event that spending on a project is expected to be
11 materially different from the amount originally approved, an Interim Review of Variance
12 (IROV) is prepared. An IROV is essentially an amended business case that is reviewed
13 and approved based on the revised set of circumstances (cost, scope, schedule). Approval
14 of the IROV is also in accordance with the limits set out in the OAR. Projects which
15 cannot be re-justified are either scaled back, cancelled or otherwise adjusted to conform
16 to the new situation. Variances on major programs are reviewed on a monthly basis by
17 the Operations Committee. Any resulting re-direction of resources is approved by the
18 Chief Financial Officer and President & CEO.

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Hydro One Distribution – Investment Justification

Investment Name

Investment Driver:

Title and DC number. Sentence or Paragraph describing the Investment Driver (\$M for the entire business driver).

Investment Name:

In Service: month/year

Title (\$)

Investments ≥ \$3.0M, in \$M, 1 decimal

Investments < \$3.0M, in \$K, no decimals

Need: Need section will be 2 paragraphs – the need and risks mitigated

- Need for this particular investment What is the problem/situation that is being addressed
- Implications of not doing the work Outline specific risks mitigated and quantify where possible

Investment Summary: (Concise – total of 1-3 paragraphs)

- Context Importance of this system or this program.
- How did we determine the work? How did you prioritize or determine the need for specific work, studies, assessments, regulatory requirements, benchmark, any critical assumptions, etc.
- Conclusion What is going to be done.

Results: (3-4 bullets – quantified, high level)

Expected results of the investment. Must link the work to the “needs & risks” identified above.

Costs:

Include a statement if contribution is being made to another part of Hydro One (i.e., DX to TX) and that these costs are included below. If costs are recoverable, no need to identify here as there is a separate line below.

	200X (\$M)	200X (\$M)	Total (\$M)	Net Present Value*: Profitability Index*:
Capital and MFA				
OM&A and Removals				
Gross Investment Cost				
<i>Recoverable (e.g., capital contribution)</i>				
Net Investment Cost				

* NPV and PI provided for new load connections or productivity-enhancing projects.