

1 **PROJECT AND PROGRAM APPROVAL & 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 the detailed project and program assessments. These prerequisite steps include: needs
8 identification, project/program prioritization and the 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 investment prioritization process described in Exhibit A, Tab 14, Schedule 6,
12 detailed analysis of the preferred alternatives and costs is completed for individual
13 projects and programs and business cases based on the detailed analysis and cost
14 estimates are prepared for review and approval.

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16 **2.0 PROJECT AND PROGRAM APPROVAL**

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18 Once the overall investment plan has been prioritized and reviewed and the business plan
19 approved, individual project and program proposals are developed and assessed. Such
20 factors as the need for the investment including the implications of not doing the work, the
21 anticipated results and the recommended solution and its cost are all considered. In
22 determining the recommended solution, alternative approaches and project risks are
23 considered. The proposals are then reviewed in a series of steps at the senior management
24 and executive levels, depending on the dollar limit and the significance of the investment.
25 The proposals are then approved consistent with the provisions of the Organizational
26 Authority Register (“OAR”) described in Exhibit A, Tab 8, Schedule 2. Strategic
27 investments are reviewed and approved by the Hydro One Board of Directors. The
28 Investment Summary Documents provided in Exhibit D2, Tab 2, Schedule 3 summarize

1 the proposed projects and programs with expenditures exceeding \$1 million in either of
2 the test years.

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4 **3.0 MONITORING AND CONTROL**

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