

1 Q. **Reference: Application**

2 Has Hydro embedded productivity savings as a bottom-line adjustment in its 2022 Capital
3 Budget Application? Does Hydro believe that a well-run utility is continually finding ways to
4 complete its work programs at lower cost?

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7 A. Newfoundland and Labrador Hydro's ("Hydro") 2022 Capital Budget Application ("CBA") is based
8 on the sum of each of the individual project estimates and does not include a separate
9 adjustment for productivity savings.

10 Consistent with its mandate, Hydro believes that it should operate in a manner that results in
11 power being delivered to consumers in the province at the lowest possible cost consistent with
12 reliable service.¹ In preparing its 2022 CBA, Hydro undertook the following activities to ensure it
13 meets its mandate:

- 14 ● A thorough review of capital projects to determine which could be deferred or cancelled
15 without introducing an unacceptable level of risk to safety and/or reliability. Through
16 this review, Hydro was able to identify approximately \$9 million of capital work which
17 has been deferred or cancelled.
- 18 ● A thorough review of its previously approved multi-year projects to identify
19 opportunities for budget refinement. As a result of this review, prior-year, multi-year
20 projects with expenditures in 2022 were reduced by \$6 million. An additional \$0.9
21 million has been reforecast to 2023.²
- 22 ● Reduced the level of capital investment for 2022 related to light-duty vehicles, roads,
23 and buildings to allow for a more thorough review of required investments in these
24 areas.

¹ *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1, s 3(b)(iii).

² Please refer to "2022 Capital Budget Application," Newfoundland and Labrador Hydro, rev. September 17, 2021 (originally filed August 2, 2021), vol. I, sch. 1, app. G for further detail regarding specific projects and revised budgets.

- 1 • Refinement of estimates based on historical experience, scope refinement, vendor
2 quotes, and refinement of contingency, often resulting in reductions in project
3 estimates.

4 It is Hydro's view that the application of a bottom-line productivity savings adjustment was not
5 appropriate as, in preparing its CBA, Hydro undertook the necessary steps (i.e., deferral, prior
6 year approved budget refinement, estimate refinement) to manage costs while not losing sight
7 of its mandate to provide safe, reliable, least-cost service.