

1 Q. **Reference: Application**

2 What is the overall improvement in productivity stemming from the projects included in the
3 2024 Capital Budget Application? Please identify the expected cost savings and provide an
4 estimate of the impact on rates.

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7 A. As outlined in Newfoundland and Labrador Hydro's ("Hydro") 2024 Capital Budget Overview,¹
8 approximately 5% (\$5.3 million) of the investments proposed fall into the Service Enhancement
9 investment classification. The primary focus of these investments is to ensure the safe, reliable,
10 least-cost, and environmentally responsible provision of service to customers. Gains in
11 productivity would be considered a secondary benefit in most cases.

12 Hydro does not derive an overall productivity metric for its investments; rather, Hydro justifies
13 each project or program on its own merit as per the requirements of the Provisional Capital
14 Budget Application Guidelines.² However, Hydro pursues capital work in a manner that avails of
15 opportunities for efficiencies to achieve value and savings for its customers. For example:

- 16 ● Hydro proposes investments that support the efficient execution of work thus
17 increasing productivity. The In-Service Failure programs would be examples of this, as
18 they allow Hydro to immediately act upon failures and expeditiously return assets to
19 service.
- 20 ● Some of Hydro's capital programs support its ability to efficiently manage its resources
21 to optimize the life of its assets. For example, Hydro's Wood Pole Line Management
22 program, which extends the service life of its existing poles, results in a planned
23 refurbishment and maintenance approach, thus allowing for the scheduling of work in a
24 productive and effective manner.

¹ "2024 Capital Budget Application," Newfoundland and Labrador Hydro, rev. August 18, 2023 (originally filed July 12, 2023), sch. 1.

² "Capital Budget Application Guidelines (Provisional)," Board of Commissioners of Public Utilities, January 2022.

- 1 • Hydro also strives to achieve productivity gains through coordinated execution of work
2 and regularly reviewing work plans and scopes to determine if there are efficiencies to
3 be gained in execution. An example of this would be the proposals for the Replace
4 Powerhouse 1 Roof (2024-2025) – Bay d'Espoir (Project 5) and Replace Powerhouse 1
5 Air Conditioning Unit (2024-2025) – Bay d'Espoir (Proposals under \$750,000). Where
6 both scopes include work on the powerhouse roof, executing the construction in the
7 same year will provide efficiencies in schedule and resources. Finally, the nature of
8 some of Hydro’s projects may result in increased efficiency and productivity that
9 contribute to savings in operating costs, such as the LED³ Street Light program.

10 With respect to rate impacts, Hydro does not compute rate impact on an individual project or
11 program basis for reporting in the capital budget application. Hydro’s *pro forma* computation of
12 revenue requirement impact on a total capital budget basis was included in its 2024 Capital
13 Budget Overview.

³ Light-emitting diode (“LED”).