Q. (Reference CA-NP-006; CA-NP-049) CA-NP-006 states that operating efficiencies associated with capital expenditures will ultimately be reflected in future GRA operating forecasts. CA-NP-049 quantifies a number of operating efficiencies associated with capital investments, including approximately 600 employee hours/$43,000 annually associated with the Learning Management System and approximately 750 employee hours/$60,000 annually associated with the AI Tailboard system. CA-NP-049 also states that operating labour savings associated with application enhancements were reflected in NP's 2026 test-year forecast in the 2025/26 GRA.

a) Where quantified operating-cost savings, avoided costs, productivity improvements or other financial benefits form part of the justification for a material capital investment, please explain whether NP subsequently compares the actual financial benefits realized with those forecast when the investment was approved? If yes, please describe the process and provide examples of such reviews undertaken for material capital projects or programs completed during the last five years. If not, please explain why not.

b) For purposes of evaluating the financial benefits of capital investments, please explain how NP distinguishes between: i) actual reductions in operating expenditures; ii) avoided future expenditures, including avoided staffing additions; and iii) employee time or capacity made available for other activities without a corresponding reduction in operating expenditures. If no such evaluation is undertaken, please explain why not.

c) Please explain how each of the foregoing categories is valued when assessing the financial justification for a capital investment.

d) Please explain how actual reductions or avoided operating costs resulting from capital investments are reflected in subsequent revenue requirements, including how NP ensures that avoided costs relied upon in the justification of a capital investment are not subsequently incorporated into forecast operating costs.

A. a) The Board has recognized that benefits of technology are not always readily quantifiable, but generally technology projects can provide value to customers such as by improving the accuracy and timeliness of responses to customer requests and inquiries.[1] The Board has also recognized the importance of evaluating utility proposals and decisions based on circumstances existing at the time as opposed to after-the-fact analyses.[2] For these reasons, Newfoundland Power does not complete the detailed after-the-fact analyses outlined in this Request for Information. The Company does, however (i) provide evidence supporting its proposed projects based primarily on achieving operating cost

[1] See page 5 of Order No. P.U. 18 (2026), in which the Board recognized that ongoing technology modernization, upgrades, and maintenance enhance a utility's ability to provide least-cost, reliable service.
[2] See Order No. P.U. 13 (2016).

efficiencies,[3] (ii) incorporate cost savings associated with application enhancements into its general rate application operating cost forecasts,[4] and (iii) provide longer-term revenue requirement and operating cost analyses as part of capital budget and general rate applications to demonstrate it is operating in an efficient manner over time.[5]

b) See part a).

c) See part a).

d) See part a).

[3] See the *2027 Capital Budget Application, Schedule B,* pages 139-143 as well as the response to Request for Information CA-NP-049. Newfoundland Power notes that projects that are justified based primarily on achieving operating cost efficiencies typically do not form a material portion of the annual capital budget. For example, the total amount of the projects outlined in the response to Request for Information CA-NP-049 accounts for $825,000, or 0.6%, of the total 2027 capital budget of $149,349,000.

[4] For example, in the *2025/2026 General Rate Application,* the Company reduced its 2026 test year operating labour forecast to reflect operating savings associated with application enhancements.

[5] See, for example, the *2027 Capital Budget Application, 2027 Capital Budget Overview, Section 2.3.3* and the *2025/2026 General Rate Application, Section 2.3.4 Operating Efficiency*. Operating cost efficiencies are primarily advanced through the effective deployment of technologies.