

1 Q. At page 64 of the decision Order No. P.U. 14 (2004), the Board stated, "*Mr.*
2 *Martin stated that NLH is in the process of conducting a review of both its on-*
3 *road and off-road fleet of vehicles.*" Please provide a copy of that review, if
4 one was completed and please indicate what steps Hydro has taken in
5 putting the results of any findings of the review into practice.
6
7

8 A. The results of the review, referred to by Mr. Fred Martin, were communicated
9 to Hydro's senior leadership team via a presentation (attached), in 2003. A
10 written report was not prepared.
11

12 Hydro has been implementing the recommendations of the fleet review and
13 to date has achieved elimination of the Transport Services Department
14 through full contracting out, and has been moving towards the fleet review
15 recommendations in conjunction with the Capital Budget process. Hydro has
16 commenced standardization of the light vehicle and equipment fleet and
17 started reduction in the overall vehicle and equipment fleet where operational
18 requirements allow.

TRANSPORTATION REVIEW

A REVIEW OF FLEET OPERATIONS:

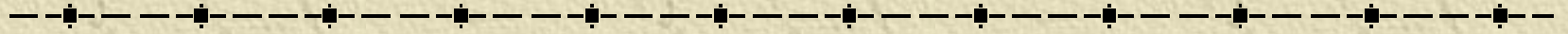
1. TRANSPORT SERVICES
2. LIGHT FLEET STANDARDIZATION
3. VEHICLE AND MOBILE EQUIPMENT QUANTITIES

TRANSPORT SERVICES REVIEW

This review, completed in 2002, recommended the contracting out of freight and equipment transport with an anticipated \$263,000 saving over the 10 year study period.

Capital savings realized to date: \$235,000
(Elimination of Truck Tractor, 1 Ton Stake Truck, and 2 Equipment trailers)

TRANSPORT SERVICES REVIEW



Status:

1. One Transport Driver transferred to Central Stores at Bishops Falls
2. All but one piece of Transport equipment retired or reallocated.

Light Fleet Standardization

Mandate:

- ✦ Examine the existing fleet of on road vehicles to establish the minimum vehicle standard needed to accomplish transportation requirements at least cost.

Light Fleet Standardization

Recommendations:

- ✦ Trades persons in $\frac{1}{4}$ ton ext cab pick-ups instead of $\frac{1}{2}$ and $\frac{3}{4}$ ton regular and extended cab pick-ups.
- ✦ FL Supervisors in $\frac{1}{4}$ ton ext cab pick-ups instead of sub-compact cars, and $\frac{1}{2}$ and $\frac{3}{4}$ ton pick-ups.

Light Fleet Standardization

Recommendations: cont'd

- ✦ Technicians in mini vans instead of Suburbans and Excursions

Accepted by Mgmt. Committee in Feb 03.

Light Fleet Standardization

Capital Savings by year

Year	Budget	Forecast	Savings
2003	\$1,584,000	\$1,504,000	\$80,000
2004	\$1,081,000	\$1,021,000	\$60,000
2005	\$1,100,000	\$1,010,000	\$90,000
2006	\$1,119,000	\$1,029,000	\$90,000
2007	\$545,000	\$505,000	\$40,000
Future			\$120,000
		Total	\$480,000

Light Fleet Standardization

Status:

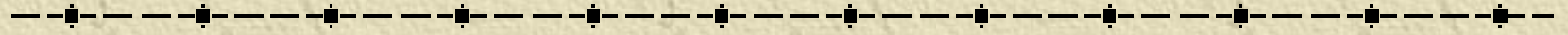
- ✦ 2003 light vehicles purchased to new standards.
- ✦ In order to achieve the anticipated savings the concept of no exceptions must be maintained.

Vehicle and Mobile Equipment Review

Mandate.

Undertake a review of Hydro's vehicle and mobile equipment fleet to ensure that only the minimum required and appropriately configured complement of vehicles and equipment is in place.

Vehicle and Mobile Equipment Review



Review Committee Members:

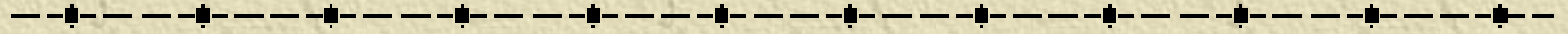
Ken McDonald - Representing TRO Central

Paul Patey - Representing TRO Northern/Labrador

Louis Barnes - Representing Production

Gary Brinston - Chair

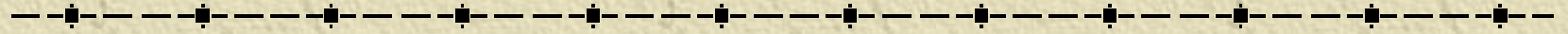
Vehicle and Mobile Equipment Review



Key Activities:

- A comprehensive review of the entire fleet by location, striving for standard fleet allocation where practical
- Evaluated opportunities to maximize efficiency of the fleet through reconfigured work vehicles.

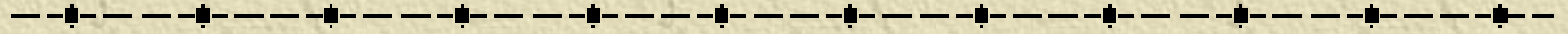
Vehicle and Mobile Equipment Review



Key Activities (cont'd):

- Evaluated potential for reductions in fleet through increased pooling of resources.
- Considered normal and emergency response requirements.
- Evaluated the heavy off road fleet to identify opportunities for improved efficiencies through reallocation/reconfiguration of resources

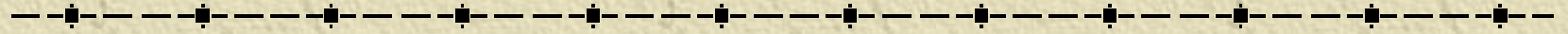
Vehicle and Mobile Equipment Review



Results of the review:

- Reductions available through increased pooling of resources and fleet rationalization: 3 pick-ups, 2 cars, 1 dump truck for \$280,000 saving.
 - Reductions from completion of Capital Projects: 10 pick-ups, 1 utility vehicle for \$225,000 savings.
- TRO Northern has requested 5 units for DSR locations TRO Northern

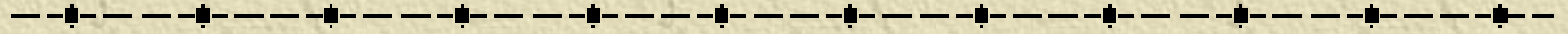
Vehicle and Mobile Equipment Review



Results of the review: (Cont'd)

- Replace 11 cherry pickers and 1 boom truck with 6 material handlers in strategic locations: Hr. Breton, Springdale, Port Saunders, Roddickton, St. Anthony and Lanse Aux Loup
These units provide enhanced response capability with a single truck, and through the strategic deployment allows an overall decrease of 5 cherry pickers and 1 boom truck.
(\$155,000 savings)

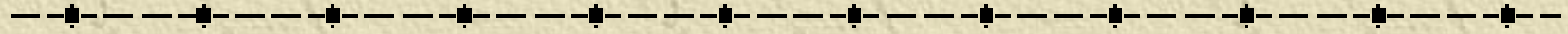
Vehicle and Mobile Equipment Review



Results of the review: (Cont'd)

- Reductions in heavy off-road fleet, with a pool of heavy off-road tracked equipment, for emergency response purposes. Reduce by 5 units (\$1,000,000 saving, only after reconfigured units on line.)
- Replace 3 muskegs/backhoes with excavators (\$300,000 saving)

Vehicle and Mobile Equipment Review



Results of the review: (Cont'd)

- Standardize on general purpose snowmobiles. (\$30,000 saving)
- Eliminate 33 pieces of light mobile equipment
10 snowmobiles, 10 ATV's, 3 snowmobile trailers, 5 reel/pole trailers, 2 equipment trailers, 3 cook/bunkhouse trailers. (\$300,000 savings)
- Eliminate forklift at Salvage Stores (\$80,000 saving)

On-road Vehicles

Review Savings

Vehicle Type	Reduce(Increase)	Savings
Cars	5	\$100,000
Pick-ups	10	\$200,000
Utility veh.	1	\$25,000
Cherry Picker	11	\$1,210,000
Dump truck	1	\$80,000
Material Handler	(6)	(\$1,260,000)
Boom Truck	1	\$200,000
	Total savings	\$555,000

Material Handler Justification:

Type	Present Qty	Value	Future Qty	Value
Cherry Pickers	30	\$3,300,000	19	\$2,090,000
Boom Trucks	15	\$3,075,000	14	\$2,870,000
Material Handler	0	\$0	6	\$1,260,000
Totals	45	\$6,375,000	39	\$6,220,000
Savings				\$155,000

* Included in \$555,000 savings off-road fleet.

Material Handler Justification

Cont'd:

-
- More versatile equipment
 - Improved productivity, capable of more work than cherry picker
 - Longer life vehicles
 - Reduced O&M costs through reduced numbers

Proposed locations:

Lanse aux Loup, Hr. Breton, Port Saunders,
Roddickton, Springdale, St. Anthony

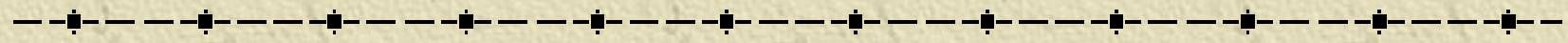
< \$50,000 Mobile Equipment Review Savings

Equipment Type	Reductions	Savings
Snowmobile	10	\$60,000
ATV's	10	\$60,000
Trailers	11	\$126,000
Cook/bunk trailers	3	\$60,000
Gen Purpose snowmobiles	Change from heavy duty	\$35,000
	Total savings	\$341,000

> \$50,000 Mobile Equipment Review Savings

Equipment Type	Reduce(Increase)	Savings
Go-track & muskegs	8	\$1,600,000
Excavators	(3)	(\$390,000)
Forklifts	1	\$80,000
	Total savings	\$1,290,000

Vehicle and Mobile Equipment Review Savings

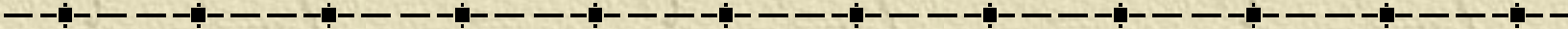


- | | |
|---------------------------|-------------|
| 1. On-road fleet | \$555,000 |
| 2. Mobile Equipment >50 K | \$1,290,000 |
| 3. Mobile Equipment <50 K | \$341,000* |

Total Future Savings:	\$2,186,000
-----------------------	-------------

* Includes light mobile equipment purchases cancelled in 03 pending the outcome of the fleet review (\$235,000).

Overall Fleet & Transport Review Savings



Year	Capital	Operating
2003	\$235,000	N/A
2004	\$140,000	\$50,000
2005	\$560,000	\$100,000
2006	\$280,000	\$100,000
2007	\$350,000	\$100,000
2008	\$300,000	\$100,000
Future	\$660,000	\$100,000

*Additional \$29,000 in Insurance savings as units eliminated.

Vehicle and Mobile Equipment Review Capital Savings

Percentage of Capital savings by Division:

1. Hydro Place (Admin/Eng/Env) 10%
2. Production (Gen/IST/Thermal) 18%
3. TRO(Central*/North/Lab) 72%

* Includes Central Stores

Net reductions by Division:

- | | | |
|----------------------------|-----------------|-------|
| 1. Hydro Place (\$200,000) | <u>10 units</u> | (16%) |
| 2. Production (\$387,000) | <u>4 units</u> | (6%) |
| 3. TRO(\$1,584,000) | <u>50 units</u> | (78%) |

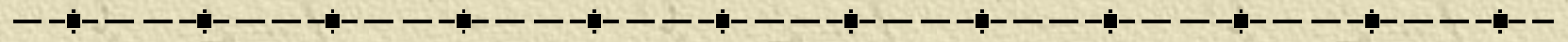
Vehicle and Mobile Equipment Future Opportunities

-
- ✓ Examine alternatives for DSR transportation.
 - ✓ Implement a self-serve practice for fuelling of vehicles in conjunction with the existing regular unleaded gas only practice.
 - ✓ Investigate a pilot project with PHH to utilize their Red card service and avail of the PHH database for fleet reports. Presently require a manual effort to extract pertinent fleet info from JDE and combine it with PHH to get a full cost report.

Vehicle and Mobile Equipment Future Opportunities (cont'd)

-
- ✓ Consolidate non-core vehicles into pool at Bishops Falls and Hydro Place, implement usage reporting system re-evaluate pool requirements following one year study period.
 - ✓ Develop key Transportation policies for inclusion in Corporate P&P manual.
 - ✓ On an ongoing basis review planned fleet replacements to ensure that opportunities for reductions are considered prior to inclusion in the Capital plan.

Vehicle and Mobile Equipment Future Opportunities (cont'd)



- ✓ Implement a policy, requiring users to source all work vehicles through Transportation.
(Excluding short term rentals 1 week or less)
- ✓ Review fleet requirements concurrent with any initiatives to ensure 5 year plan is accurate. EG: RCM, restructuring, vehicle disposal following capital project completion.

Vehicle and Mobile Equipment Outstanding Issues:



Disposal of “good” gear as a result of fleet review. Suggest pool at BF and use as back-up until in need of major repair.



Additions to fleet in light of efforts to reduce

QUESTIONS????