

- 1 Q. **Reference: Evidence, page 15, lines 5-7**
- 2 Provide the calculation of the \$565,000 annual efficiency savings required for cost
- 3 neutrality between the two options.
- 4
- 5 A. The approximately \$565,000 annual efficiency savings<sup>1</sup> was automatically calculated in
- 6 Excel through an iterative process to determine the savings amount that resulted in cost
- 7 neutrality from a Cumulative Present Worth (“CPW”) perspective between Scenario 1 and 2
- 8 based on a 2018 analysis year. This calculation used the GDP<sup>2</sup> Implicit Price Deflator<sup>3</sup> over
- 9 the analysis period and then discounted it back using Hydro’s weighted average cost of
- 10 capital,<sup>4</sup> which resulted in cost neutrality from a CPW analysis perspective between
- 11 Scenario 1 and 2 based on a 2018 analysis year. Please refer to Table 1 for the
- 12 determination of the \$565,000 in 2018.

**Table 1: Scenario 2: Additional Other Cost Determination**

Year		Scenario 1 CPW excluding OPEX <sup>5</sup> Reduction <sup>6</sup>	Scenario 2 CPW Including additional Other Costs	CPW Delta <sup>7</sup>	CPW Delta <sup>8</sup>
0	2018	145,786	678,106	532,321	563,727

<sup>1</sup> Represented in 2018 dollars.

<sup>2</sup> Gross Domestic Product (“GDP”).

<sup>3</sup> Please refer to Newfoundland and Labrador Hydro’s (“Hydro”) response to PUB-NLH-204

<sup>4</sup> Please refer to Hydro’s response to PUB-NLH-207

<sup>5</sup> Operating Expenses (“OPEX”).

<sup>6</sup> Original Evidence included the reduction of 0.6% in OPEX to create cost neutrality between the two scenarios.

<sup>7</sup> As at January 1, 2018 - CPW calculation is discounted to January 1 of the initial analysis year.

<sup>8</sup> As at December 31, 2018.