

1 Q. **Reference: Application**

2 What is the overall improvement in productivity stemming from the projects included in the
3 2022 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") 2022 Capital Budget Overview,¹
8 approximately 8% (\$6.9 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 provision of service to customers. Gains in productivity would be considered a
11 secondary benefit in most cases.

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

- 16 ● Where possible, Hydro proposes capital investments in a manner that supports the
17 expeditious and/or efficient execution of work and optimization of its assets, thus
18 improving productivity. Examples include the in-service failures projects (e.g., hydraulic
19 generation) which permit Hydro to act immediately upon failure to ensure an efficient
20 and timely return to service of the assets and the Provide Service Extensions project
21 which permits Hydro to respond to customer requests for service hookups in a timely
22 and efficient manner.
- 23 ● Additionally, some of Hydro's capital projects support its ability to efficiently manage its
24 resources to optimize the life of its assets. For example, Hydro's Wood Pole Line

¹ "2022 Capital Budget Application," Newfoundland and Labrador Hydro, rev. September 17, 2021 (originally filed August 2, 2021, vol. I, sch. 1, at p. 7).

² "Capital Budget Application Guidelines," Board of Commissioners of Public Utilities, rev. October 2007 (originally issued June 2, 2005).

1 Management Program, which extends the service life of its existing poles, results in a
2 planned refurbishment and maintenance approach thus allowing for the scheduling of
3 work in a productive and effective manner.

- 4 ● Hydro strives to achieve productivity gains through the coordination of capital work in
5 line with outages and other related work which may be occurring. An example of such
6 an approach is the cancellation of the Bay d’Espoir intake gate and surge tank
7 refurbishments earlier in 2021 as the schedule had changed materially from that
8 originally anticipated.³ Hydro advised of its intention to conduct an evaluation of the
9 logistical benefits in combining this work with the outages required for the upcoming
10 penstock refurbishment work.
- 11 ● Appropriate integration of modern technology into asset replacement strategies
12 presents opportunities for conversion from manual to automated processes, which
13 increase productivity and efficiency. One such example in the 2022 Capital Budget
14 Application is the Replace Metering System project.⁴ While the main driver for this
15 project is the replacement of obsolescent equipment to ensure reliable service,
16 installing a system with technological advancements reduces the need for manual meter
17 readings and data entry. Savings will be realized not only in these areas but also in the
18 administrative effort required to manage customer interactions related to estimated
19 readings and data entry errors which result in incorrect bills and re-billings.
- 20 ● Finally, the nature of some of Hydro’s projects may result in increased efficiency and
21 productivity that contribute to savings in operating costs, such as the LED⁵ Street Light
22 Program, and the Replace Metering System project.

23 With respect to rate impacts, Hydro does not compute rate impact on an individual project
24 basis. Hydro’s *pro forma* computation of revenue requirement impact on a total capital budget
25 basis was included in its 2022 Capital Budget Overview.

³ “Cancellation of Previously Approved Capital Projects at Bay d’Espoir,” Newfoundland and Labrador Hydro, February 26, 2021.

⁴ “2022 Capital Budget Application,” Newfoundland and Labrador Hydro, rev. September 17, 2021 (originally filed August 2, 2021, vol. II, sch. 8, tab 15).

⁵ Light-emitting diode (“LED”).