

1 Q. **Reference: Application**

2 Has Hydro embedded productivity savings as a bottom-line adjustment in its 2023 Capital
3 Budget Application?

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6 A. Newfoundland and Labrador Hydro's ("Hydro") 2023 Capital Budget Application ("CBA") is based
7 on the sum of each of the individual project estimates and does not include a separate
8 adjustment for productivity savings.

9 Consistent with its mandate, Hydro believes that it should operate in a manner that results in
10 power being delivered to consumers in the province at the lowest possible cost consistent with
11 reliable service.¹ In preparing its 2023 CBA, Hydro undertook the following activities to ensure it
12 meets its mandate:

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- A thorough review of capital projects to determine which could be deferred or
14 cancelled without introducing an unacceptable level of risk to safety and/or
15 reliability. Through this review, Hydro was able to identify approximately \$6 million
16 of capital work which has been deferred or cancelled.
 - A thorough review of its previously approved multi-year projects to identify
17 opportunities for budget refinement. As a result of this review, prior-year, multi-
18 year projects with expenditures in 2023 were reduced by \$4.7. An additional \$4.6
19 million has been reforecast to 2024 while the remainder has been eliminated from
20 the budget.
 - Refinement of estimates based on historical experience, scope refinement, vendor
21 quotes, and refinement of contingency, often resulting in reductions in project
22 estimates.
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25 It is Hydro's view that the application of a bottom-line productivity savings adjustment was not
26 appropriate as, in preparing its CBA, Hydro undertook the necessary steps (i.e., deferral, prior

¹ *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1, s 3(b)(iii).

- 1 year approved budget refinement, estimate refinement) to manage costs while not losing sight
- 2 of its mandate to provide safe, reliable, least-cost service.