

1 Q. **Reference: Application**

2 What is the overall improvement in productivity stemming from the projects included in the  
3 2023 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") 2023 Capital Budget Overview,<sup>1</sup>  
8 approximately 10% (\$9.2 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 or program on its own merit as per the requirements of the Capital Budget Application  
14 Guidelines.<sup>2</sup> However, Hydro pursues capital work in a manner that avails of opportunities for  
15 efficiencies to achieve value and savings for its customers. For example:

- 16 • Hydro proposes investments that support efficient execution of work thus increasing  
17 productivity. The In-Service Failure programs would be examples of this, as they allow  
18 Hydro to immediately act upon failures and expeditiously return assets to service.
- 19 • Some of Hydro's capital programs support its ability to efficiently manage its resources  
20 to optimize the life of its assets. For example, Hydro's Wood Pole Line Management  
21 Program, which extends the service life of its existing poles, results in a planned  
22 refurbishment and maintenance approach thus allowing for the scheduling of work in a  
23 productive and effective manner.

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<sup>1</sup> "2023 Capital Budget Application," Newfoundland and Labrador Hydro, July 13, 2022, vol. I, sch. 1.

<sup>2</sup> "Capital Budget Application Guidelines (Provisional)," Board of Commissioners of Public Utilities, January 2022.

- 1           • Hydro also strives to achieve productivity gains through coordinated execution of work.  
2           With the proposal of the Additions for Load Growth - Upgrade Transformer Capacity  
3           (2023–2024) – Jean Lake Terminal Station,<sup>3</sup> it was determined that an evaluation of the  
4           existing Wabush Substation work was required to determine if there was overlap or  
5           efficiencies to be gained in the work execution. This review resulted in the cancellation  
6           of scope as required or the rescheduling of scope to best fit an appropriate execution  
7           schedule for the existing Wabush Substation Upgrades project.
- 8           • Finally, the nature of some of Hydro’s projects may result in increased efficiency and  
9           productivity that contribute to savings in operating costs, such as the LED<sup>4</sup> Street Light  
10          Program.

11          With respect to rate impacts, Hydro does not compute rate impact on an individual project or  
12          program basis for reporting in the Capital Budget Application. Hydro’s *pro forma* computation of  
13          revenue requirement impact on a total capital budget basis was included in its 2023 Capital  
14          Budget Overview.

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<sup>3</sup> “2023 Capital Budget Application,” Newfoundland and Labrador Hydro, July 13, 2022, vol. II, sch. 6, proj. 1.

<sup>4</sup> Light-emitting diode (“LED”).