

1 Q. **Reference: Application**

2 Please provide a summary of all benchmarking exercises performed by Hydro relating to costs
3 and performance that have been incorporated in the 2022 Capital Budget Application.
4 Specifically, show how Hydro spending and performance compares to a peer group including
5 Newfoundland Power and provide relevant information on each peer included in the group.

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8 A. Given the unique nature of Newfoundland and Labrador Hydro's ("Hydro") electrical system,¹
9 Hydro does not currently benchmark the overall spending or performance of its capital budget
10 applications against peer groups; rather, Hydro evaluates and proposed projects on their own
11 merit based on system requirements.

12 Hydro recognizes that for certain projects, information related to industry standard and the
13 experiences of its peers can be helpful in determining the appropriate timing and level of
14 investment. Therefore, in some cases, Hydro uses information provided by peer groups where
15 data is available and useful. For example, Hydro maintains a close liaison with other Canadian
16 utilities through participation on the Canadian Utility Fleet Council. Hydro has established
17 vehicle replacement criteria that consider both the operating regime for the vehicles and the
18 average replacement criteria used by other Canadian utilities. While Hydro has materially
19 reduced its light-duty vehicle replacements for 2022 to allow for assessment of its light-duty
20 vehicle fleet needs, Hydro expects to return to normal levels of expenditures in 2023.

21 Additionally, Hydro analyzes its overall spends in each investment category relative to its five-
22 year historical average investment and the prior year's five-year capital plan to understand the
23 drivers of variances and ensure that the level of overall investment is appropriate based on
24 Hydro's experience and the current requirements of the system.

¹ Hydro's electrical system is geographically dispersed and many of its assets are located in remote locations, making them difficult to access, particularly during the winter season. Further, while some of Hydro's existing critical assets are ageing and nearing the end of their service lives, Hydro is aiming to balance its approach to capital investment in light of the pending integration of the Muskrat Falls Project assets.