

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:

- 13 • 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.
- 17 • A thorough review of its previously approved multi-year projects to identify
18 opportunities for budget refinement. As a result of this review, prior-year, multi-
19 year projects with expenditures in 2023 were reduced by \$4.7. An additional \$4.6
20 million has been reforecast to 2024 while the remainder has been eliminated from
21 the budget.
- 22 • Refinement of estimates based on historical experience, scope refinement, vendor
23 quotes, and refinement of contingency, often resulting in reductions in project
24 estimates.

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.