Q. **Reference: Schedule 1, 2027 Capital Budget Overview, Section 6.9; Schedule 7**

Hydro's stated revenue requirement impact does not include potential changes to operating and maintenance costs. Various capital proposals identify lower maintenance, repair, outage-response or operating costs as benefits of undertaking capital investment. For example, Hydro states that failure to replace aging mobile equipment leads to increased maintenance costs. The Distribution Equipment SCADA project identifies operational efficiencies through reduced site visits and more productive use of skilled field staff.

a) Please identify each material 2027 capital project/program for which avoided or reduced: i) operating costs; ii) maintenance/repair costs; iii) outage-response costs; iv) contractor expenditures; v) labour requirements; or vi) other operating expenditures formed part of the justification for the proposed capital investment.

b) For each project/program identified in part a, please quantify the expected annual savings for 2027–2031.

c) Please identify specifically where each saving is reflected in Hydro's operating expense or revenue requirement forecasts, including the applicable operating expense account or budget line and amount by year.

d) Where an identified capital-project saving is not reflected as a reduction to forecast operating expense, please explain why not and identify when Hydro expects the saving to be reflected in customer rates.

e) Please identify material capital projects completed during 2022–2025 for which operating or maintenance savings were identified as a material benefit when approval was sought.

f) For each project identified in part e, please provide a table that consolidates: i) the annual savings forecast at the time approval was sought; ii) the actual savings realized following completion; and iii) the amount by which Hydro's revenue requirement was reduced as a result of those savings.

g) Please explain what controls are in place to ensure customers do not bear both: i) depreciation and return associated with new capital investment; and ii) the operating costs that the capital investment was expected to avoid or reduce.

A. **a)** The majority of Newfoundland and Labrador Hydro's ("Hydro") renewal projects and programs are proposed to improve asset reliability and/or condition, which inherently contributes to reduced maintenance costs. As assets age, they typically require additional or more frequent maintenance to ensure continued reliable operation. The established refurbishment or replacement criteria considers age and/or condition, which are key drivers of maintenance costs. Examples of this include the Wood Pole Line Management program and the Perform Facilities Refurbishments.

b) Operating and maintenance costs savings resulting from these projects and programs cannot be quantified to a reasonable degree of accuracy as they are expected to be achieved primarily through operating and maintenance efficiencies. For example, a large portion of the costs expected to be saved for the Distribution Supervisory Control and Data Acquisition Equipment project relates to reduced travel requirements associated with operations, maintenance, and outage response.

c) Please refer to Hydro's response to part b).

d) Please refer to Hydro's response to part b).

e) Please refer to Hydro's response to CA-NLH-042 of this proceeding.

f) Please refer to Hydro's response to part b).

g) Please refer to Hydro's response to part b) above as well as the responses in CA-NLH-042. Hydro does not generally maintain a separate, project-by-project record quantifying the benefits of avoided costs actually realized following completion of a capital investment. Consistent with previous responses, Hydro does not generally track productivity improvements associated with individual programs or projects.