

1 **Q. (Reference Application) What is the overall improvement in productivity**
 2 **stemming from the projects included in the 2024 Capital Budget Application?**
 3 **Please identify the expected cost savings and provide an estimate of the impact**
 4 **on rates.**

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 6 **A. A. Productivity Improvements**

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 8 Newfoundland Power's *2024 Capital Budget Application* includes: (i) projects that will
 9 maintain the productivity of its operations; and (ii) projects that will improve the
 10 productivity of its operations.¹ These include:

- 11
 12 (i) The *LED Street Lighting Replacement* project. The replacement of High Pressure
 13 Sodium ("HPS") street lights with more reliable Light Emitting Diode ("LED")
 14 street lights commenced in 2021 and is proposed to continue in 2024. The
 15 replacement of HPS street lights with LED street lights reduces energy and
 16 maintenance costs for street lighting customers and results in lower customer
 17 rates.²
 18
 19 (ii) The *2024 Application Enhancements* project. This project includes items that will
 20 improve the productivity of Newfoundland Power's operations through the
 21 reduction or elimination of manual processes to reduce costs to customers.³
 22
 23 (iii) The *Distribution Feeder Automation* project. This project will increase
 24 automation in the Company's distribution system through the addition of
 25 automated downline reclosers and fault indicators.⁴ The deployment of
 26 automated distribution equipment will enhance the Company's response to
 27 customer outages in all operating conditions, including local and system-wide
 28 outages. For example, the operation of 12 downline reclosers during Hurricane
 29 Larry in September 2021 avoided approximately 3.8 million customer outage
 30 minutes without the assistance of field crews. This allowed field crews to
 31 maintain their productivity in restoring service to customers. Additionally, the
 32 operation of six downline reclosers during Hurricane Fiona in September 2022
 33 avoided approximately 1.7 million customer outage minutes.⁵
 34
 35 (iv) Over 50% of proposed 2024 capital expenditures are driven by the
 36 refurbishment or replacement of existing assets.⁶ These expenditures are
 37 required to maintain the condition of the electrical system and to provide reliable
 38 service to customers. Failure to maintain the Company's electrical system would
 39 result in increased equipment failures and customer outages. This would

1 See the response to Request for Information PUB-NP-004 for additional information on savings and reduced operating costs.

2 See Newfoundland Power's *2024 Capital Budget Application, Schedule B*, pages 2 to 5, and the response to Request for Information PUB-NP-009.

3 See Newfoundland Power's *2024 Capital Budget Application*, report 5.1 *2024 Application Enhancements*.

4 See Newfoundland Power's *2024 Capital Budget Application, Schedule B*, pages 15 to 19.

5 Ibid, page 18.

6 See Newfoundland Power's *2024 Capital Budget Application, 2024 Capital Budget Overview*, page 1.

1 increase operational expenditures required to restore service to customers and
2 would be detrimental to the productivity of Newfoundland Power's operations.
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4 **B. Pro Forma Customer Rate Impacts**
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6 Due to the complex nature of how capital expenditures impact customer rates,
7 Newfoundland Power does not assess the customer rate impact of individual capital
8 projects or programs. The Provisional Guidelines require a proposed budget impact
9 summary that assesses the revenue requirement impact and indicative electricity rates
10 assuming that the proposed capital budget is approved in full.⁷
11

12 On a *pro forma* basis, the capital expenditures proposed in Newfoundland Power's *2024*
13 *Capital Budget Application* are estimated to increase the Company's annual revenue
14 requirement by approximately \$4 million.⁸ For a breakdown of this amount, see the
15 response to Request for Information PUB-NP-004.
16

17 This estimate includes approximately \$1.7 million in reduced operating costs and
18 avoided electricity costs associated with the *LED Street Lighting Replacement and*
19 *Application Enhancements* projects. This \$1.7 million operating cost savings estimate
20 translates to a customer rate benefit of approximately 0.2%.⁹
21

22 The proposed refurbishment of the Company's Mobile and Lookout Brook hydro plants
23 included in Newfoundland Power's *2024 Capital Budget Application* will result in the
24 continued provision of low-cost energy to customers, thereby avoiding the need to
25 purchase more expensive replacement production. The customer benefit associated
26 with the continued operation of the Mobile and Lookout Brook hydro plants is estimated
27 to be approximately \$4.1 million in lower annual revenue requirement. This \$4.1 million
28 estimate translates to a customer rate benefit of approximately 0.5%.¹⁰
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30 For further discussion on the relationship between the Company's capital investments,
31 revenue requirements and customer rates, see Newfoundland Power's *2024 Capital*
32 *Budget Application, 2024 Capital Budget Overview, Section 2.3.3 Customer Rates.*

⁷ See *section I.C. Rate Impact Summary* of Appendix A the Provisional Guidelines.

⁸ See Newfoundland Power's *2024 Capital Budget Application, 2024 Capital Budget Overview, Section 2.3.3 Customer Rates.*

⁹ Customer rate benefit estimated as follows: \$1.7 million ÷ current customer billings of approximately \$785 million as outlined in Newfoundland Power's *Application for July 1, 2023 Customer Rates* filed with the Board on June 2, 2023.

¹⁰ Customer rate benefit estimated as follows: \$4.1 million ÷ current customer billings of approximately \$785 million.