

1 **Q. (Reference Application) What is the overall improvement in productivity**  
 2 **stemming from the projects included in the 2025 Capital Budget Application?**  
 3 **Please identify the expected cost savings and provide an estimate of the**  
 4 **impact on rates.**

5  
 6 **A. A. Productivity Improvements**

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 8 Newfoundland Power's *2025 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. 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 2025. 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.<sup>1</sup>  
 18  
 19 (ii) The *2025 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.<sup>2</sup>  
 22  
 23 (iii) The *Distribution Feeder Automation* project. This project will increase automation  
 24 in the Company's distribution system through the addition of 14 automated  
 25 downline reclosers.<sup>3</sup> The deployment of automated distribution equipment will  
 26 enhance the Company's response to customer outages in all operating  
 27 conditions, including local and system-wide outages. For example, the operation  
 28 of 12 downline reclosers during Hurricane Larry in September 2021 avoided  
 29 approximately 3.8 million customer outage minutes without the assistance of  
 30 field crews. This allowed field crews to maintain their productivity in restoring  
 31 service to customers. Additionally, the operation of six downline reclosers during  
 32 Hurricane Fiona in September 2022 avoided approximately 1.7 million customer  
 33 outage minutes.<sup>4</sup>  
 34  
 35 (iv) Approximately half of proposed 2025 capital expenditures are driven by the  
 36 refurbishment or replacement of existing assets.<sup>5</sup> 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 increase  
 40 operational expenditures required to restore service to customers and would be  
 41 detrimental to the productivity of Newfoundland Power's operations.

<sup>1</sup> See Newfoundland Power's *2025 Capital Budget Application, Schedule B*, pages 2 to 5.

<sup>2</sup> Ibid., pages 105 to 109.

<sup>3</sup> Ibid., pages 12 to 16.

<sup>4</sup> Ibid., page 15.

<sup>5</sup> See Newfoundland Power's *2025 Capital Budget Application, 2025 Capital Budget Overview*, page 1.

**B. Pro Forma Customer Rate Impacts**

Due to the complex nature of how capital expenditures impact customer rates, Newfoundland Power does not assess the customer rate impact of individual capital projects or programs. The Provisional Guidelines require a proposed budget impact summary that assesses the revenue requirement impact and indicative electricity rates assuming that the proposed capital budget is approved in full.<sup>6</sup>

On a *pro forma* basis, the capital expenditures proposed in Newfoundland Power's *2025 Capital Budget Application* are estimated to increase the Company's annual revenue requirement by approximately \$8 million.<sup>7</sup>

This estimate excludes customer benefits associated with proposed capital projects that provide for lower operating and purchased power costs included in Newfoundland Power's revenue requirement.

The proposed refurbishments associated with the Company's Cape Broyle, Horsechops, Mobile and Lockston hydro plants included in Newfoundland Power's *2025 Capital Budget Application* will result in the continued provision of low-cost electricity production to customers. Further, the proposed *LED Street Lighting Replacement* project will provide for the full realization of the lower operating and purchased power costs contemplated by the six-year *LED Street Lighting Replacement* plan. The estimate of these customer benefits on Newfoundland Power's annual revenue requirement is approximately \$11 million on a *pro forma* basis.

This estimate includes approximately \$1.3 million in reduced operating costs and avoided electricity costs associated with the *LED Street Lighting Replacement* project. This \$1.3 million operating cost savings estimate translates to a customer rate benefit of approximately 0.2%.<sup>8</sup> The customer benefit associated with the continued operations of the Company's hydro plants as proposed in the *2025 Capital Budget Application* is estimated to be approximately \$9.6 million in lower annual revenue requirement. This \$9.6 million estimate translates to a customer rate benefit of approximately 1.1%.<sup>9</sup>

For further discussion on the relationship between the Company's capital investments, revenue requirements and customer rates, see Newfoundland Power's *2025 Capital Budget Application, 2025 Capital Budget Overview, Section 2.3.3 Customer Rates*.

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<sup>6</sup> See *Appendix A, I.C. Rate Impact Summary* of the Provisional Guidelines.

<sup>7</sup> See Newfoundland Power's *2025 Capital Budget Application, 2025 Capital Budget Overview, Section 2.3.3 Customer Rates*.

<sup>8</sup> Customer rate benefit estimated as follows: \$1.3 million ÷ current customer billings of approximately \$884 million as outlined in Newfoundland Power's Application for *Approval of Compliance with Order No. P.U. 16 (2024) and Customer Rates effective August 1, 2024* filed with the Board on July 17, 2024.

<sup>9</sup> Customer rate benefit estimated as follows: \$9.6 million ÷ current customer billings of approximately \$884 million.