

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 2021 Capital Budget Application.  
4 Specifically, show how Hydro spending and performance compares to a peer group and provide  
5 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,<sup>1</sup>  
9 Hydro does not currently benchmark the overall spending or performance of its Capital Budget  
10 Applications against peer groups; rather, Hydro evaluates and proposes 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. Hydro's replacement criteria for  
19 light- and heavy-duty vehicles as well as replacement criteria for similar utilities are provided in  
20 the 2021 Capital Budget Application.<sup>2</sup>

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

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<sup>1</sup> 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.

<sup>2</sup> "2021 Capital Budget Application," Newfoundland and Labrador Hydro, rev 1, August 7, 2020 (originally filed August 4, 2020), vol II, tab 22, at p. 1.

- 1 drivers of variances and ensure that the level of overall investment is appropriate based on
- 2 Hydro's experience and the current requirements of the system.