

1 Q. **Reference Application**

2 What is the overall improvement in productivity stemming from the projects included in the
3 2021 Capital Budget Application? Please identify the expected cost savings and provide a rough
4 estimate of the impact on rates.

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7 A. As outlined in Newfoundland and Labrador Hydro's ("Hydro") overview presentation on its 2021
8 capital budget, approximately 82% (\$88.5 million)¹ of the investments proposed are
9 reliability/system improvement related. The primary focus of these investments is to ensure the
10 safe, reliable, least-cost provision of service to customers. Gains in productivity would be
11 considered a secondary benefit in most cases.

12 Hydro does not derive an overall productivity metric for its investments, but rather justifies each
13 project on its own merit as per the requirements of the Capital Budget Guidelines. However,
14 Hydro pursues capital work in a manner that avails of opportunities for efficiencies to achieve
15 value and savings for its customers. For example:

- 16 • Where possible, Hydro proposes capital investments in a manner that supports the
17 expeditious and/or efficient execution of work and optimization of its assets, thus improving
18 productivity. Examples include the In-Service Failures projects (e.g., hydraulic generation
19 and distribution) which permit Hydro to act immediately upon failure to ensure an efficient
20 and timely return to service of the assets; and the Provide Service Extension project which
21 permits Hydro to respond to customer requests for service hookups in a timely and efficient
22 manner.

¹ This value differs from the amount provided in the correspondence "2021 Capital Budget Application - Overview Presentation - Additional Information" Newfoundland and Labrador Hydro, September 21, 2020 as Additions for Load Growth - Happy Valley Line 7 was not included in the Load Growth totals.

- 1 • Additionally, some of Hydro’s capital projects support its ability to efficiently manage its
2 resources to optimize the life of its assets. For example, Hydro’s Wood Pole Line
3 Management program, which extends the service life of its existing poles, results in a
4 planned refurbishment and maintenance approach thus allowing for the scheduling of work
5 in a productive and effective manner.
- 6 • Hydro strives to achieve productivity gains through the coordination of capital work in line
7 with outages and other related work which may be occurring. An example in the 2021
8 capital budget is the proposal to overhaul the Unit 3 generator at the Holyrood Thermal
9 Generating Station. This work is planned for 2021 to avail of the dismantling associated with
10 the stator refurbishment project which was previously approved Board Order No.
11 P.U. 6(2020). The completion of the generator overhaul in 2021 in conjunction with the
12 rewind of the Unit 3 stator rather than as a stand-alone project in 2022 results in
13 productivity gains and direct cost savings. Likewise, Hydro’s justification of the proposed
14 alternative for the monorail hoist system component of the Ebbegunbaeg Control Structure
15 project is based on the efficiencies to be gained over the next four years while the gates are
16 being replaced. In addition to the immediate savings, the proposed alternative also makes
17 future corrective and preventative maintenance more efficient and cost-effective to
18 execute.
- 19 • Finally, the nature of some of Hydro’s projects may result in increased efficiency and
20 productivity that contribute to savings in operating costs, such as the LED² Street Light
21 Program.

22 With respect to rate impacts, Hydro does not compute rate impact on an individual project
23 basis. Hydro’s pro forma computation of revenue requirement impact on a total capital budget
24 basis was included in its 2021 Capital Projects Overview.

² Light emitting diode (“LED”).