

1 Q. **Reference: Schedule B-II, Volume 1, page 220; Volume 1, page 121 (footnote 33); Schedule B-**
2 **III**

3 a) Provide the complete derivation of the 2027 Test Year's \$4.0 million productivity
4 allowance, including whether it originates from a Board order (as the 2019 figure did,
5 per Order No. P.U. 16(2019)), a Hydro self-imposed target, or another source; identify
6 the baseline against which the allowance is measured as incremental savings; and
7 provide a workpaper showing how \$4.0 million was calculated, identifying whether the
8 figure was independently re-derived for the 2027 Test Year or carried forward from
9 2019.

10 b) Explain why the 2027 Test Year allowance is allocated by function and department while
11 the 2019 Test Year allowance of the identical dollar amount was not, and confirm
12 whether this allocation-method change affects the allowance's magnitude, its
13 verifiability, or only its presentation; provide the function-by-department allocation
14 table for the 2027 allowance and confirm whether an equivalent retrospective
15 allocation of the 2019 allowance is available.

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18 A. a) Newfoundland and Labrador Hydro's ("Hydro") \$4.0 million productivity allowance in the
19 2027 Test Year is a self-imposed target and is not carried forward from any previous year.
20 Please refer to Chapter 2, Section 2.4.6 of Hydro's 2026 General Rate Application for how
21 \$4.0 million was determined.

22 b) The \$4.0 million productivity allowance was included in the 2027 Test Year to allow Hydro
23 adequate time to realize the allowance. The allowance was allocated as a percentage of
24 total operating costs per department to reinforce organizational accountability and the
25 prioritization of cost discipline at all levels. The allocation method did not impact the
26 magnitude of the allowance.

1 Please refer to CA-NLH-069, Attachment 1, for a table summarizing the breakdown by
2 department of the 2027 Test Year productivity allowance.

3 The \$4.0 million productivity allowance in the 2019 Test Year was the result of Board of
4 Commissioners of Public Utilities Order No. P.U. 16(2019). Upon issuance of the Order part
5 way through the 2019 Test Year, the 2019 Test Year was updated to include the productivity
6 allowance in one Business unit in the Executive division.¹

¹ In the 2019 Test Year Compliance filing, the \$4.0 million productivity allowance was added to the Cost Management business unit, which is included in the Executive division.

2027 Test Year
Self-Imposed Productivity Allowance¹

Function	Department	2027 Test Year
Engineering Services	Engineering Services Hydro	(132,716)
Executive	General Counsel/Corporate Secretary Hydro	(16,953)
	Executive Leadership Hydro	(59,327)
Financial Services and Other	Internal Audit & Advisory Services	(9,100)
	Commercial Management	(16,224)
	Finance & Treasury	(83,815)
	Supply Chain	(99,911)
	Finance Other	(110,016)
Major Projects and Asset Management	Utility Performance	(60,679)
Operating Technology	Information & Operations Technology Hydro	(392,492)
People, Culture and Corporate Affairs	Corporate Strategy, Risk and Sustainability	(7,789)
	Strategic Communications, Culture, and Brand	(17,903)
	Environmental Services	(25,362)
	Safety & Health Hydro	(30,071)
	Human Resources Hydro	(208,368)
Production	Gas Turbines	(112,933)
	Hydro Production	(368,187)
	Thermal Production	(669,909)
Regulatory Affairs, Customer Service and Energy Optimization	Energy Efficiency	(23,840)
	Regulatory Affairs	(125,726)
	Customer Service	(171,447)
System Planning and NLSO	Transmission & Resource Planning	(111,233)
Transmission and Distribution	Transmission and Rural Operations Northern	(109,869)
	Transmission & Distribution Services	(326,638)
	Transmission and Rural Operations Labrador	(390,365)
	Transmission and Rural Operations Central	(319,128)
Total		(4,000,000)

¹ Numbers may not add due to rounding.