

1 Q. **Reference: Volume 1, page 2.39**

2 Hydro states (lines 9 to 10) “Operational efficiencies may serve to offset upward cost pressures
3 rather than generate standalone savings.” Elaborate on what Hydro is intending to
4 communicate to the Board and intervenors through the above quoted passage from the GRA
5 filing.

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8 A. As discussed in Chapter 2 of Newfoundland and Labrador Hydro’s (“Hydro”) evidence for its
9 2026 General Rate Application, Hydro has focused on evolving its business to achieve long-term,
10 sustainable cost savings and productivity gains. Hydro’s progress is reflected in its performance
11 versus inflation relative to the 2019 Test Year, as well as other qualitative changes or
12 improvements and broader business performance.

13 Hydro provided examples of how it optimizes its overall organizational performance through:

- 14 • Identifying opportunities to economically manage its system operations;
- 15 • Utilizing long-term capital investment strategies to maximize asset life; and
- 16 • Maximizing returns for customers using export and import opportunities.

17 Hydro also stated that it focuses on business functions and practices such as workforce
18 management, contracting and procurement, work planning and execution, capital planning, and
19 technology to advance continuous improvement and efficiencies in its business. Such practice
20 helps offset upward cost pressures arising from factors such as inflation, increasing workload
21 requirements, system growth, evolving regulatory and compliance obligations, and the need to
22 maintain safe and reliable service. As a result, operational efficiencies do not necessarily lead to
23 year-over-year reductions in operating expenditures. Rather, they often moderate or avoid costs
24 that would otherwise be incurred, thereby reducing the overall level of expenditure required to
25 operate the business. Such cost avoidance represents a tangible benefit of continuous

- 1 improvement and operational efficiency efforts, whether those benefits can be directly
- 2 quantified or are more qualitative in nature.