

1 Q. **Reference: Response to CA-NLH-069, part a**

2 Further to the response to CA-NLH-069, part a, please explain why Hydro did not propose a self-
3 imposed productivity allowance of greater than \$4.0 million for the 2027 Test Year to account
4 for the inflation since the 2019 Test Year with respect to the \$4.0 million productivity allowance
5 directed by the Board in Order No. P.U. 16(2019).

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8 A. As outlined in section 2.4.6 of the 2026 General Rate Application (“GRA”):

9 Newfoundland and Labrador Hydro’s (“Hydro”) prior productivity allowances from the Board of
10 Commissioners of Public Utilities (“Board”) have ranged from \$2.0 to \$4.0 million in Hydro’s
11 rate-setting years. Most recently, the Board directed Newfoundland Power Inc. to include a \$2.0
12 million productivity allowance, equivalent to 2.5% of operating costs, within its 2025–2026
13 GRA.¹

14 In its evidence, Hydro has articulated how it continues to evolve its business and achieve
15 operating cost savings and/or operational efficiencies, balancing cost savings with reliability
16 requirements. Absent these efforts, forecast operating expenditures would be materially higher
17 over the test period.²

18 As a further measure of recognizing customers’ concerns with the rising cost of electricity, and
19 in light of past precedent, Hydro has included further cost savings in the form of a \$4.0 million
20 productivity allowance (approximately 2.5% of operating costs) to mitigate the increasing
21 operating costs within the 2027 Test Year.

¹ Approved in Board Order No. P.U. 3(2025), p. 22/2–3.

² For more information on continuous improvement efforts since 2019 Test Year and their impact on the 2027 Test Year forecast, please refer to Hydro’s response to PUB-NLH-081 of this proceeding.