Q. **Reference: CA-NLH-022; CA-NLH-041; and CA-NLH-042**

Assessment of Realized Capital Investment Benefits: In response to CA-NLH-022, Hydro identifies examples of incorporating recent capital project execution experience into the development of 2027 project cost estimates. In response to CA-NLH-041 and CA-NLH-042, Hydro indicates that it does not generally quantify or separately track the operational efficiencies and other benefits realized following completion of capital investments.

a) Please identify whether Hydro has used assessments of the actual operational, reliability or maintenance-related benefits realized from previously completed capital investments to reduce, defer or otherwise modify the scope or level of expenditure proposed in the 2027 CBA. If yes, please identify the projects or programs affected, the benefits assessed and the resulting changes to the proposed 2027 expenditures. If not, please explain why not.

b) With respect to the Upgrade Worst-Performing Distribution Feeders Program, please explain whether Hydro assessed the reliability improvements achieved from previously completed investments when determining the scope and expenditure level proposed for 2027. If yes, please identify the results of that assessment and explain how they influenced the 2027 proposal. If not, please explain why not.

c) With respect to expected operating efficiencies, maintenance savings or other lifecycle benefits that are relied upon to justify a capital investment but are not subsequently measured, please explain how Hydro assesses whether those anticipated benefits were realized and whether the original assumptions remain appropriate when evaluating subsequent investments that are similar in nature.

A. **a)** Newfoundland and Labrador Hydro ("Hydro") does not generally track benefits realized to the specific project or program level. Assets are continually monitored and should performance not be consistent with expectations post execution of capital work, an

investigation into the cause would be initiated. Those results would be incorporated into subsequent filings as relevant.

b) Hydro continuously reviews reliability improvements achieved from previously completed investments when determining the scope for future projects. For past projects, the expectation is that the recent upgrades will improve reliability. Those measures resulting in improved performance will be implemented as standards to ensure increased system reliability by adopting the initiatives for other feeders proactively.

c) As discussed in part a), Hydro does not generally track or quantify the lifecycle benefits associated with individual programs or projects following implementation. Rather, the impacts of capital investments are considered and monitored at an aggregate organizational level through broader performance indicators, including:

- overall operating cost growth;
- customer service satisfaction scores; and
- overall reliability performance.

While the benefits associated with a specific investment are not isolated and measured individually, Hydro assesses the reasonableness of anticipated operating efficiencies, maintenance savings, and other lifecycle benefits by considering overall operating and maintenance cost trends, operational performance, reliability outcomes, and other relevant business metrics. These outcomes provide an indication of whether capital investments are contributing to the expected objectives and supporting Hydro's overall operational performance.

The cumulative impact of efficiency opportunities and process improvements achieved through capital investments does not necessarily result in year-over-year reductions in operating expenditures. Rather, these investments help moderate expenditure growth, improve operational effectiveness, and avoid costs that might otherwise be incurred. The resulting efficiencies support Hydro's ability to manage long-term cost pressures while continuing to provide safe and reliable service.

When evaluating subsequent investments that are similar in nature, Hydro considers its experience with previous investments, including observed operating and maintenance cost trends, reliability performance, operational outcomes, and other relevant indicators. This experience is used to assess whether the assumptions underlying the anticipated benefits of comparable investments remain reasonable. Together with current operating conditions and project-specific considerations, these observations inform the assumptions used in the evaluation of future investments.