

1 **Q. (Reference Application) What is the overall improvement in productivity**  
2 **stemming from the projects included in the 2026 Capital Budget Application?**  
3 **Please identify the expected cost savings, provide an estimate of the impact**  
4 **on rates and provide an explanation of how these cost savings will be tracked**  
5 **and recorded in NP' s next GRA.**

6  
7 **A. Productivity Improvements**  
8

9 Newfoundland Power's *2026 Capital Budget Application* includes: (i) projects that will  
10 improve the productivity of its operations; and (ii) maintain the existing productivity of  
11 its operations. These include:  
12

13 (i) The *LED Street Lighting Replacement* project. The replacement of High-Pressure  
14 Sodium ("HPS") street lights with more efficient and reliable Light Emitting Diode  
15 ("LED") streetlights began in 2021 as part of a six-year *LED Street Lighting*  
16 *Replacement* plan. The proposed capital expenditures for 2026 represent the final  
17 year of this initiative. The replacement of HPS street lights with LED street lights  
18 reduces energy and maintenance costs for street lighting customers and  
19 contributes to reduced customer rates.<sup>1</sup>  
20

21 (ii) The *Customer Correspondence Modernization* project. This project will improve the  
22 productivity of Newfoundland Power's operations related to bill production and  
23 delivery through the reduction or elimination of the manual processes to reduce  
24 costs for customers.<sup>2</sup> Upon completion, this project is forecast to provide average  
25 annual net operating savings of approximately \$0.5 million.<sup>3</sup>  
26

27 (iii) The *2026 Application Enhancements* project. This project includes items that will  
28 improve the productivity of Newfoundland Power's operations through the  
29 reduction or elimination of manual processes to reduce costs for customers.<sup>4</sup>  
30

31 (iv) The *Geographic Information System Upgrade* project. The Company has used  
32 Geographic Information System ("GIS") technology since 2013. It is integral to  
33 Newfoundland Power operations, supports numerous business functions, and is  
34 connected to many critical operational systems such as Outage Management,  
35 Customer Service System, and Asset Management. Since 2013, GIS technology has  
36 reduced or eliminated manual processes to reduce costs for customers.<sup>5</sup> The  
37 upgrade proposed for 2026 will enhance the functionality of the current technology  
38 and allow for more modern technology components.

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<sup>1</sup> See Newfoundland Power's *2026 Capital Budget Application, Schedule B*, pages 2 to 5. See also part b) of the response to Request for Information CA-NP-033.

<sup>2</sup> See Newfoundland Power's *2026 Capital Budget Application*, report 4.1 *Customer Correspondence Modernization*.

<sup>3</sup> See the response to Request for Information CA-NP-041 for additional details on the forecast productivity savings associated with the capital expenditures proposed for Information Systems in the *2026 Capital Budget Application*.

<sup>4</sup> See Newfoundland Power's *2026 Capital Budget Application, Schedule B*, pages 83 to 86.

<sup>5</sup> See Newfoundland Power's *2026 Capital Budget Application*, report 4.2 *Geographic Information System Upgrade*.

- 1 (v) The *Distribution Feeder Automation* project. This project will increase automation  
2 of the Company's distribution system through the installation of additional  
3 downline reclosers. The deployment of automated distribution equipment will  
4 enhance the Company's response to customer outages. It allows for efficient field  
5 response, reduced patrol times, and the ability to operate devices remotely.<sup>6</sup>  
6
- 7 (vi) Approximately half of proposed 2026 capital expenditures are driven by the  
8 refurbishment or replacement of existing assets.<sup>7</sup> These expenditures are required  
9 to maintain the condition of the electrical system and to provide reliable service to  
10 customers. Failure to maintain the Company's electrical system would result in  
11 increased equipment failures and customer outages. This would increase  
12 operational expenditure required to restore service to customers and would be  
13 detrimental to the productivity of Newfoundland Power's operations.  
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15 Due to the complex nature of how capital expenditures impact customer rates,  
16 Newfoundland Power does not assess the customer rate impact of individual capital  
17 projects or programs. The Provisional Guidelines require a proposed budget impact  
18 summary that assesses the revenue requirement impact and indicative electricity rates  
19 assuming that the proposed capital budget is approved in full.<sup>8</sup>  
20

21 The Company completes a fulsome review of its overall revenue requirement in the  
22 context of a general rate application. Operating cost savings associated with the above  
23 projects will be reflected in the Company's future test year operating forecasts, whether  
24 they are embedded in Newfoundland Power's actuals,<sup>9</sup> or are forecasted to occur in the  
25 test year period.<sup>10</sup>

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<sup>6</sup> See Newfoundland Power's *2026 Capital Budget Application, Schedule C*, page 1.

<sup>7</sup> See Newfoundland Power's *2026 Capital Budget Application, 2026 Capital Budget Overview*, page 1.

<sup>8</sup> See *Appendix A, I.C. Rate Impact Summary* of the Provisional Guidelines. For further discussion on the relationship between the Company's capital investments, revenue requirements and customer rates, see Newfoundland Power's *2026 Capital Budget Application, 2026 Capital Budget Overview, Section 2.3.3 Customer Rates*.

<sup>9</sup> For example, lower operating costs and purchased power expense associated with the *LED Street Lighting Replacement* project will be fully embedded in the Company's actual results by the end of 2026.

<sup>10</sup> For example, net operating savings associated with the *Customer Correspondence Modernization* project are forecast to begin in 2028, which will be incorporated in Newfoundland Power's future test year forecasts. See the response to Request for Information CA-NP-074.