

1 Q. On November 12, 2020, Hydro provided correspondence to the Board relating to Hydro's
2 Efficiency and Effectiveness Plan indicating that Hydro would provide the Board with an update
3 on the status of its plan and its key deliverables in its next general rate application (including its
4 operational cost savings target totaling \$9 million by 2024).

5 Provide an update of the progress for each of the following areas referenced in the plan and
6 how the savings are reflected in the 2027TY: Management and Execution; Technology; Exploits;
7 Capital Planning; Contracting and Procurement; and Human Resources Management.

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10 A. Newfoundland and Labrador Hydro's ("Hydro") 2020 Efficiency and Effectiveness Plan ("EEP")
11 identified a cumulative operating cost savings target of \$9 million by 2024 relative to the 2019
12 Test Year.¹ Since 2020, the EEP initiatives have evolved from discrete projects into ongoing
13 business practices embedded within Hydro's day-to-day operations and strategic planning
14 processes. As a result, Hydro does not separately track savings associated with the original EEP
15 initiatives. Rather, the benefits of continuous involvement of Hydro's business practices, such as
16 in the focus areas that were identified in the EEP, are reflected in Hydro's overall cost
17 performance. Hydro's 2027 Test Year operating costs are approximately \$17 million below the
18 2019 Test Year forecast in real dollars, demonstrating that Hydro has continued to moderate
19 cost growth while maintaining safe and reliable service. The resulting efficiencies are reflected in
20 the 2027 Test Year forecast through lower labour, contractor, procurement, maintenance,
21 travel, and administrative costs than would otherwise have been incurred absent these areas of
22 focus.

23 Hydro provided a high-level summary of its progress within each of these areas since its last
24 General Rate Application ("GRA") in Chapter 2, Section 2.4 of its 2026 GRA as follows:

- 25 • Work Management and Execution (Section 2.4.3);

¹ Including \$4.5 million in non-regulated Exploits operations.

- Technology (Section 2.4.5);
- Capital Planning (Section 2.4.4);
- Contracting and Procurement (Section 2.4.2); and
- Human Resource Management (Section 2.4.1).

What began as targeted efforts to respond to Board of Commissioners of Public Utilities directives, inflationary pressures, operational challenges, and emerging reliability requirements has matured into a culture of continuous improvement that is integrated into decision-making across the organization. As discussed in Hydro's evidence, the environment in which Hydro operates has changed considerably since 2020, including significant cost pressures arising from inflation and increasing electricity demand at the provincial, national, and global levels.

Work completed in each of the former EEP areas through 2022 informed Hydro's 2023-2025 Strategic Plan, which set the direction for the organization for those years. That strategic plan focused on Hydro's priorities as a utility and the role Hydro plays in the changing energy landscape, with goals and objectives related to Asset Management, Capital Planning, Workforce Planning and Technology.² The areas of focus of the former EEP continue to be core to Hydro's business and therefore are prevalent in the recently released 2026-2030 Strategic Plan, with goals and objectives related to Technology, Strategic Procurement, Capital Execution, Workforce Planning, and Asset Management.³

Further discussion on progress made within each area is as follows:

Work Management & Execution

Under the EEP framework, Hydro endeavored to develop and implement a multi-year plan to centralize Hydro's planning and scheduling function. That multi-year plan has evolved into a broader organizational effort around improving asset management practices overall. Objectives within the 2023-2025 Strategic Plan related to Work Management and Execution include

² For further information on Hydro's accomplishments against its 2023-2025 Strategic Plan, please refer to <https://www.assembly.nl.ca/business/electronicdocuments/NLHydroAnnualReport2025.pdf>

³ For further information on Hydro's 2026-2030 Strategic Plan, please refer to <https://nlhydro.com/wp-content/uploads/2026/06/STRAT-PLAN-2026-2030-FINAL.pdf>

1 improving asset management planning practices to ensure decision-making processes integrate
2 a balance of risk, performance and cost.

3 Since 2020, Hydro has strengthened its asset management, including work management and
4 execution, by:

- 5 • Improving the integration of planning and scheduling processes across the business;
- 6 • Implementing improved reporting standards;
- 7 • Progressing toward a five-year planned outage schedule;
- 8 • Enhancing its Central Maintenance Management Systems through a pilot program in
9 Bay d’Espoir, improving data integrity;
- 10 • Reintroducing work productivity practices such as live-line work;
- 11 • Enhancing outage planning by adopting a centralized outage management approach
12 which supports execution of capital projects and maintenance work across the system,
13 minimizing the number of outages taken and maximizing productive work during outage
14 windows; and
- 15 • Incorporating technology-enabled tools to improve data analysis and support more
16 informed maintenance and risk-based decision-making for critical generation assets
17 investment decisions.

18 ***Technology***

19 Under the EEP framework, Hydro endeavored to identify, plan, and implement technology
20 solutions to achieve operational advancements. A focus on achieving operational advancement
21 continued, via objectives within the 2023-2025 Strategic Plan. This included enhancement of
22 employees’ skills and tools to further support their ability to work safely, efficiently, and
23 effectively for the current and future needs of the organization and continuously strengthening
24 cybersecurity capabilities to ensure resilience in technology systems.

25 Since 2020, Hydro has made the following advances in the use of technology:

- Expanding use of operational technologies that enable remote monitoring, operation, troubleshooting, and support of assets, reducing travel, labour, and response times;
- Increasing use of drones, remotely piloted equipment, and remotely operated vehicle technologies for asset inspections, improving safety and reducing contractor costs;
- Completing a pilot program for Dynamic Line Rating software to optimize transmission line capacity;
- Modernizing aging Information Technology infrastructure, such as the Email Migration project, to improve efficiency, reduce support costs, and strengthen cybersecurity;
- Implementing structured document management and Accounts Payable automation systems to improve governance, controls, and process efficiency;
- Implementing procurement technologies, including electronic requisitioning and mobile approval tools, to improve efficiency, controls, and document management; and
- Strengthening Hydro's ability to prevent, detect, and respond to cybersecurity threats, reinforcing system reliability and resilience through:
 - o Completing upgrade of Supervisory Control and Data Acquisition Wide Area Network.
 - o Executing development and automation of vulnerability management program.
 - o Applying stronger controls at Operational Technology/Corporate network boundary.
 - o Finalizing segmentation of field remote terminal units.

Capital Planning

Under the EEP framework, Hydro endeavored to maintain a focused capital planning approach to balance capital investment with cost management and reliability. With significant major capital investments now required to support system reliability, enable the retirement of aging assets and prepare for pending load growth, Hydro remains committed to its legislated mandate to achieve this balance. An objective within the 2023-2025 Strategic Plan included making measured and responsible capital investment decisions.

1 Since 2020, Hydro has continued to improve its capital planning approach by:

- 2 • Further focusing its capital portfolio planning process to ensure that capital investment
3 reflects condition-based assessments (versus age- or interval-based), where possible,
4 within capital programs such as Renew Distribution Feeders.
- 5 • Completing a comprehensive analysis of drivers of carryover expenditures and
6 implemented process improvements such as:
 - 7 o Adjusting pacing of specific capital programs, such as replacement of circuit
8 breakers and disconnects, in response to labour and supply chain constraints to
9 reduce carryover and improve capital work execution.
 - 10 o Improving project change management processes to identify the impacts of
11 carryover and to develop temporary mitigation plans to reduce the impact where
12 possible until the work can be completed.
 - 13 o Completing annual reviews of the scope, schedule, and cost estimates for multi-year
14 projects and programs continuing into the following year that were approved as
15 part of prior CBAs or supplemental applications to adjust schedules and budgets as
16 required.
- 17 • Focusing on capital program execution, demonstrating continued discipline in capital
18 delivery despite challenges such as resource scheduling pressures and material delays.
- 19 • Improving project cost estimating by performing constructability reviews, utilizing the
20 AACE⁴ guidelines for estimate accuracy, and construction planning to better manage
21 budgets and schedules in Major Projects.
- 22 • Evolving risk assessment practices through introduction of a new risk assessment for
23 capital projects and performing quantitative risk analysis for Major Project budget
24 development.
- 25 • Clustering capital project scopes to reduce costs, maximize outage windows and
26 improve execution, such as combining terminal station scopes of work under common

⁴ Association for the Advancement of Cost Engineering ("AACE").

1 outages, such as replacement of surge arrestors during power transformer capital
2 upgrades.

- 3 • Reducing planned capital spending by deferring or cancelling projects within its annual
4 capital budget application where appropriate, while maintaining focus on reliability and
5 critical system needs.
- 6 • Supporting capital investment decisions by broader planning initiatives, including
7 resource adequacy planning and long-term system studies, ensuring investments are
8 evidence-based and aligned with maintaining reliability at the lowest possible cost.

9 ***Contracting & Procurement***

10 Under the EEP Framework, Hydro endeavored to explore new opportunities for joint and
11 consolidated procurement opportunities. Hydro continues its focus on achieving least-cost
12 reliable electricity service for customers by achieving economies of scale within its procurement
13 processes.

14 Since 2020, Hydro has expanded its joint procurement initiatives and strategic supply chain
15 practices by:

- 16 • Participating in joint procurement initiatives with Government of Newfoundland and
17 Labrador (“Government”), utilities, and affiliates to leverage purchasing power and
18 reduce costs:
 - 19 o Participating with Government in an Atlantic Canadian consortium to secure better
20 rebates on purchasing cards.
 - 21 o Utilizing a centralized business account with wholesalers to obtain discounts,
22 rebates and reduced shipping costs.
 - 23 o Partnering with the federal government to leverage better rates and contractual
24 terms on security contracts for Hydro facilities.
 - 25 o Participating in a strategic purchasing initiative for print services led by the
26 Newfoundland and Labrador Public Procurement Agency.

- o Partnering with Government and other entities to leverage better rates and contractual terms for general procurement and fleet management activities.
- Implementing regional warehouse approach for Labrador, reducing transport costs, improving inventory availability, operational readiness and supply chain reliability within the region.
- Establishing a Strategic Procurement Committee to address growing supply chain risks, improve procurement planning, and secure critical resources at the lowest practical cost.
- Utilized strategic procurement approaches, including early equipment procurement and early contractor engagement, to mitigate cost escalation and schedule risks on Major Projects.

Human Resource Management

Under the EEP framework, Hydro endeavored to use human resources data and, in conjunction with other EEP initiatives, optimize opportunities for labour cost reductions. As discussed in Chapter 2 of Hydro's 2026 GRA, the focus on reducing labour costs shifted as the operating environment changed, whereby staffing constraints were not sustainable over the near and long term.⁵ The optimization of Hydro's workforce was a key objective within the 2023-2025 Strategic Plan, which included developing a plan to ensure Hydro has the workforce needed to serve the people of the province into the future.

Since 2020, Hydro has evolved its human resource management practices to support *Good Utility Practice* by:

- Establishing a Human Resources data analytics group to use Human Resources data to inform labour cost and workforce management, including development of labour management dashboards to improve efficiency, compliance, and overtime oversight.

⁵ Please refer "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. I, ch. 2, sec. 2.3.1.

- 1 • Developing an Integrated Workforce Planning Framework and supporting the
2 development of workforce plans related to Hydro's core utility operations, Major
3 Projects and new developments.
- 4 • Focusing on targeted recruitment and retention strategies, including cooperative
5 student and apprenticeship programs, to address most significant talent risks and build
6 Hydro's talent pipeline.
- 7 • Centralizing workforce management and labour cost oversight across the organization,
8 including full-time equivalents management, hiring, and training processes, to improve
9 consistency, efficiency, and accountability.
- 10 • Optimizing workforce complement through retirements, attrition, consolidation of
11 positions, and elimination of redundancies where prudent to ensure resources are
12 aligned with operational requirements and Hydro's legislated mandate.

13 Introducing technology-enabled Human Resources improvements, including employee self-
14 service tools, and additional online training delivery.

15 ***Exploits***

16 As stated in the November 2020 EEP update, full optimization of efficiencies identified is
17 dependent on the transfer of the Exploits Assets⁶ from Government to Hydro, as a portion of the
18 productivity gains will be a reflection of realization of opportunities both within the Exploits
19 operations and Hydro's regulated operations. Hydro operates these assets on behalf of
20 Government to the same standard that it operates its own assets –applying an operational
21 philosophy of *Good Utility Practice* and in line with its mandate to provide least-cost, reliable
22 service in an environmentally responsible manner. As the timeline for transfer of these assets
23 has been uncertain, opportunities for cost management and efficiencies were pursued where
24 achievable; however, the multi-year efficiency review was not advanced further pending clarity

⁶ "Exploits Assets" refers to three hydraulic generation powerhouse facilities (Star Lake, Grand Falls, and Bishop's Falls), the direct infrastructure associated with them (penstocks, power canals, etc.), the controlled and uncontrolled watersheds providing generation water, transmission lines, roads, and other associated infrastructure. These assets are owned by Government and operated by Hydro as part of Hydro's non-regulated business segment.

1 on ownership and transfer timelines. For an update on the status of the potential transfer of
2 Exploits, please refer to Hydro's response to PUB-NLH-039 of this proceeding.

3 ***Operating Cost Savings***

4 Workforce management, strategic procurement, integrated work planning, disciplined capital
5 portfolio management, and technology enablement are part of Hydro's core management
6 practices that are continuously refined and applied in support of Hydro's mandate and strategic
7 objectives. As noted in Hydro's EEP – Fall 2020 Update, the areas of priority identified in the EEP
8 were a means by which Hydro was refocusing its business to achieve cost savings and
9 productivity gains. Hydro also indicated it was fully expected that cost savings would be
10 achieved throughout all areas of the business and that identified savings targets would be on an
11 overall operating and maintenance costs basis versus individual components.

12 Hydro is focused on long-term, sustainable cost savings and uses sound business practices to
13 support ongoing cost avoidance, improved productivity, stronger risk management, and better-
14 informed operational and investment decisions. Consequently, the 2027 Test Year forecast
15 represents the cumulative results of years of continuous improvement efforts that have become
16 part of Hydro's normal course of business, helping to moderate costs and avoid higher labour,
17 contractor, fuel, travel, procurement, maintenance, and administrative costs that would
18 otherwise have been incurred. While the impacts of individual EEP focus areas cannot be
19 isolated from broader business planning and operational improvements, Hydro's 2027 Test Year
20 forecast operating costs are approximately \$17 million below the 2019 Test Year forecast in real
21 dollars; this reflects the benefits of these sustained cost management efforts.