

1    Q.    Describe the method used to assign Group Insurance and Employee Future  
2           Benefit costs to the various direct cost components within the 2007 Cost of  
3           Service Study. (Cost of Service Evidence, page 5, lines 2 to 3)

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6    A.    Group insurance and employee future benefit costs are now treated the  
7           same as payroll fringe benefits, and are charged to each of Hydro's  
8           departments as a percentage of base salaries.

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10           For example, diesel plant operator salaries for the Island Isolated systems  
11           are assigned as a direct expense to Island Isolated Diesel Generation in the  
12           2007 Cost of Service Study (Exhibit RDG-1, Schedule 2.4B, Line 1). These  
13           salary amounts now include 10% for employee future benefits and 3% for  
14           group insurance costs.