

1 **Undertaking Request (U-61)**

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3 *Transcript Reference: July 24, 2018, Pg. 19, line 25 to Pg. 20, line 21 Re: PUB-NLH-051*

4 Undertake to provide the 2016 Budget Guidelines, if available.

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7 **Undertaking Response**

8 Please refer to U-61, Attachment 1 for 2016 O&M Hydro Budget Instructions that were

9 used to begin the process of compiling the 2016 budget estimates. Please note that the

10 final budget approved for 2016 was equal to the 2015 Test Year budget of \$139.6 million.

## Operations and Maintenance Cost Instructions: Budget 2016

To facilitate the compilation of budget 2016, the majority of Operating and Maintenance (O&M) costs have been escalated from the 2015 budget, at a rate of 2.5%. The escalation of costs is to be used as a starting point only; please decrease costs if no inflation or increase is expected across any particular cost area.

Specific approval will be required for any cost types which are increasing above 2.5%. Business units are strongly encouraged to record rationale behind all cost increases above 2.5% as they go through the budgeting process, this information will be required for the budget review meetings.

Areas which require more detailed estimates are: Professional Services; Training; Operating Projects and Salaries.

In order to ensure that we will be in a position to receive approval before the GRA hearing begins, please respond to the below requests on or before July 24th.

### 1. Professional Services & Training

The *Professional Services & Training Budget Template* assists you in building your budget in the following areas:

- Consultants;
- Legal;
- PUB related costs;
- Software, Acquisition and Maintenance; and
- Training.

These costs have been escalated from prior year to assist with a starting point. It is important to ensure you have updated the 'Description' field in all cases and 'Vendor' field wherever possible. If 'Description' is not updated (or updated with a TBD) it will impact approval of your professional services budget.

### ***Training Costs***

The budget for Training should only include training registration or course fees and will be consolidated and included in HR budget. All travel associated with training must be budgeted in travel (6505) of the originating department.

## **2. Operating Projects**

The *Main Activity Template* is available to assist you in building your budget. All activity in relation to operating projects has been zeroed out within this template and requires your input. As in prior years, we will enter all costs for estimated operating projects under a “dummy” operating project number. Subsequent to approval an Operating Project Form for all new projects must be submitted to Nalcor Corporate Finance for an operating project number. Once this is complete the costs will be reallocated appropriately.

## **3. Other Escalated Items (controllable and non-controllable):**

As in prior years, the *Non-Maintenance Budget Template* is currently available within Clarity and includes escalated items based on the 2015 budget. This template includes both controllable and non-controllable items. With regards to the controllable areas, if there are any known significant differences, please adjust within the template on or before July 24th. These costs include, but are not limited to the following:

- System & Equipment Maintenance;
- Overtime;
- Office Supplies and Expenses;
- Equipment Rentals;
- Travel;
- Miscellaneous Expenses;
- Building Rental and Maintenance;
- Insurance;
- Transportation; and
- Customer Costs.

With regards to the recharge areas, if there are any known differences, please complete the *Recharge Template*, and return to Andrea MacDonald ASAP, but no later than July 17<sup>th</sup>. These costs include:

- Labour in;
- Labour (out);
- Overtime in;
- Overtime (out); and
- Capital labour (out).

#### **4. Salary and FTEs**

If you have salary dollars in Hydro business units, please ensure that you have received a *Salary and FTE Template* by June 26<sup>th</sup>. These are required to build this budget due on or before July 17<sup>th</sup>.

Once all O&M costs have been entered in the system you will be asked to provide a budget deck presentation for review meetings with the VP of NL Hydro and Chief Operating Officer of NL Hydro.

This presentation should include:

- Summary of your budget financials and comparative to 2015 test year;
- Explanation for any costs showing a year over year increase greater than 2.5%;
- Justification of FTE requests, i.e. to support customer growth, regulatory requirements, etc.;
- and
- Justification of all proposed operating projects.

A PowerPoint template will follow at a later date; this will contain the required format, headings and order of the required slides.