

1 Q. Further to response to Request for Information NP-NLH-079:

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3 Financial Services operating costs for System Equipment and Maintenance are
4 forecast to increase from \$1,204,000 in 2016 to \$1,581,000 in 2019T. Please
5 provide full details of this \$377,000 increase, together with a full business
6 justification for the requirement for the increase.

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8 A. The Financial Services 2016 System Equipment Maintenance costs were less than
9 budget in 2016 as a result of targeted reductions and efficiency opportunities that
10 were applied (please refer Hydro's response to PUB-NLH-054). In 2016, Supply
11 Chain deferred routine maintenance, whereas in 2019, there will be a return to
12 normal maintenance levels.¹ Additionally, freight costs were lower than normal
13 levels in 2016 primarily due to an increase in freight costs associated with capital
14 projects. Freight costs are associated with inventory transfers that allows Hydro to
15 complete its operating and capital work plans.

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17 Details are provided in Table 1.

**Table 1 Cost Drivers of System Equipment and Material Costs in Financial Services
2016 Actual – 2019TY**

	\$(Millions)
Deferred Maintenance and Projects	\$0.2
Freight	\$0.2
Total	\$0.4

¹ System Equipment Maintenance costs are partially recovered through the Administration fee.