

1 Q. **2017 General Rate Application - Operations**

2 Page 3.3, lines 14-16 – Explain in detail how Hydro “maintains control and
3 accountability” for the services provided by Nalcor.

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6 A. As set out in the evidence, this statement refers to functions and specific services
7 that were transferred to Nalcor and includes services in the areas of human
8 resources, safety, and information systems. Most services used by Hydro are
9 provided by Hydro employees and the above-noted services are among the few
10 exceptions where it was judged that economies of scale and efficient work flow
11 patterns made the utilization of Nalcor services more effective and efficient.

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13 Exhibit 5 to Hydro’s Evidence (in Volume II) sets out in detail the Intercompany
14 Transaction Costing Guidelines which governs these transactions. The approach
15 taken by Hydro is to use its employees wherever it is reasonable, efficient and
16 effective to do so. Where Hydro believes that it can get services more effectively
17 through an affiliate or from an outside entity Hydro chooses the least cost reliable
18 option.

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20 Hydro has an executive for each service provided by Nalcor who is accountable for
21 the services received and associated costs.