

1 Q. **2018 Cost Deferral and Interim Rates Evidence - Revision 2, November 14, 2018**
2 Provide a revised Schedule 3-IX of Operating Costs from the 2017 Amended General
3 Rate Application including 2017 Actuals and the most current forecast for 2018 and
4 2019, including actuals to the latest month available. In the response provide
5 explanations of significant variances between the 2018 Test Year in the existing
6 schedule compared to the most current forecast for 2018 Operating Costs, as well
7 as the differences between the 2019 Test Year and the revised 2019 Operating
8 Costs forecast.

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11 A. Please refer to PUB-NLH-187, Attachment 1.

Newfoundland and Labrador Hydro
Total Operating Expenses by Cost Type
\$ thousands

	2015 TY	2015 GRA Order	2015 Approved TY	2015 Actual	2016 Actual	2017 Actual	2018 Test Year	2018 Forecast ⁽¹⁾	18 TY vs 18 FCST		2019 Test Year	2019 Budget	19 TY vs 19 FCST	
Labour related costs	75,611	(5,633)	69,978	73,287	64,481	68,328	73,906	71,714	2,192	(2)	75,224	73,897	1,327	(7)
Employee future benefits	8,371	-	8,371	6,690	6,902	6,282	6,489	6,819	(331)		6,705	6,705	-	
Overtime	4,906	-	4,906	10,589	6,164	6,972	4,874	6,304	(1,430)	(3)	4,901	4,901	-	
Total Labour	88,888	(5,633)	83,255	90,566	77,547	81,582	85,269	84,837	431		86,830	85,503	1,327	
System Equipment and Maintenance	26,825	(41)	26,784	31,927	25,048	25,791	26,228	23,477	2,751		26,796	26,796	-	
Other														
Office supplies and expenses	2,804	-	2,804	2,762	2,249	2,118	2,516	2,285	231		2,520	2,520	-	
Professional services	9,494	(540)	8,954	14,408	6,662	6,142	9,112	8,238	874	(4)	8,825	8,825	-	
Insurance	2,607	-	2,607	2,508	2,530	3,175	3,345	3,233	112		3,425	3,425	-	
Equipment rentals	3,066	-	3,066	4,218	4,197	3,817	3,749	3,831	(82)		3,746	3,746	-	
Travel	3,717	(500)	3,217	3,250	1,984	2,412	2,757	2,631	127		2,759	2,759	-	
Miscellaneous expenses	5,654	-	5,654	5,789	4,974	5,447	5,784	5,425	359		5,867	5,867	-	
Building rental and maintenance	1,217	-	1,217	1,497	1,109	1,164	1,100	935	165		1,100	1,100	-	
Transportation	2,245	-	2,245	1,649	856	1,009	1,164	1,958	(794)	(5)	1,274	1,274	-	
Customer costs	118	-	118	253	126	86	118	200	(83)		118	118	-	
Total Other	30,922	(1,040)	29,882	36,334	24,687	25,370	29,645	28,736	909		29,634	29,634	-	
Cost Allocations	(7,066)	(118)	(7,184)	(7,906)	(3,370)	(2,530)	1,235	(84)	1,320	(6)	2,073	(968)	3,041	(8)
Total operating costs	139,569	(6,832)	132,737	150,921	123,912	130,213	142,377	136,966	5,411		145,333	140,965	4,368	

Notes:

(1) Actuals are provided up to the end of November 2018.

(2) Decrease in labour related costs is primarily due to FTE vacancy, variations in salaries from the 2018 TY budget, higher utilization of resources on capital work and a reduction in fringe benefits.

(3) Increase in overtime costs is primarily a result of operational support requirements and variations in maintenance schedules.

(4) Decrease in professional services is primarily due to changes in scope and activity.

(5) Increase in vehicle fleet costs is a result of lower capitalization.

(6) Decrease in Cost Allocations is primarily due to variations in the intercompany admin fees and a lower allocation of Business System costs as a result of project delays. The 2018 forecasted Business System costs were agreed to be deferred in the 2017 GRA Settlement Agreement filed with the Board on April 16, 2018. However, as Hydro has not yet received a final Board Order the Business System costs have not been deferred in Hydro's forecast.

(7) Vacancy allowance increased to reflect an additional 15 FTEs as per the 2017 GRA Settlement Agreement filed with the Board April 16, 2018.

(8) 2019 forecast adjusted to reflect the Deferral of the Business System Fee, as outlined in the 2017 GRA Settlement Agreement filed with the Board April 16, 2018.