

1 Q. Further to NP-NLH-314, 315 and 316 pertaining to the percentage increase on a
2 inflation adjusted basis (for gross salaries, operations and maintenance costs and
3 corporate relations cost, respectively) please provide any available support for the
4 contention that this data demonstrates reasonable cost control performance on the
5 part of Hydro?
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8 A. Hydro aims to control its expenses by maintaining them in line with inflation
9 wherever possible. Where this has not been possible, Hydro has outlined and
10 explained the significant exceptions in Section 2 of the Evidence to Hydro's
11 Amended Application.
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13 Hydro is committed to minimizing its expenses while meeting customer service
14 expectations. Expenses cannot be maintained flat on an inflation-adjusted basis
15 when there are changing circumstances in which Hydro operates. Hydro performs
16 ongoing reviews to ensure that as circumstances change appropriate adjustments
17 are made. As outlined in Section 1 of the Evidence to Hydro's Amended Application,
18 Hydro is faced with many challenges that it is committed to meet in a least cost
19 manner. These challenges have included significant customer load growth requiring
20 the addition of assets such as the new Holyrood combustion turbine and the
21 replacement of equipment to reliably meet the growth. Hydro has increased its
22 capital program to replace, upgrade and overhaul aging assets to ensure continued
23 reliable service to customers. Hydro balances the increase in capital for aging assets
24 with, where necessary, increased maintenance activities for the older assets
25 through both corrective and preventative maintenance activities. To support these
26 changing circumstances, Hydro requires adjustment in costs in many categories that
27 have been described in Section 2 of the Evidence to Hydro's Amended Application.

1 The reasons for the specific expense items referenced in Hydro's responses to NP-
2 NLH-314, NP-NLH-315 and NP-NLH-316 increasing on an inflation-adjusted basis are
3 also outlined in the Evidence as noted below.
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5 With respect to the gross salaries in Hydro's response to NP-NLH-314, the increases
6 are driven by wage adjustments as outlined in the evidence in Section 1.2.3, Section
7 1.3.4, Section 1.4.2 and Section 2.3.5. In addition, there has been a requirement to
8 increase the number of personnel to meet the changing circumstances. The reasons
9 for these changes are outlined through Section 2 of the Evidence. The details
10 explaining the changing circumstances that are causing the changes in operations
11 and maintenance costs referenced in Hydro's response to NP-NLH-315 are
12 explained throughout Section 2.4.1 of the Evidence to Hydro's Amended
13 Application. Similarly for the changes in NP-NLH-315 referencing the changes in
14 O&M costs, please refer Pages 2.55 (Finance), 2.57 (System Equipment
15 Maintenance costs), 2.58 (regulatory, insurance and software costs and cost
16 recoveries).