

1 Q. **Reference: Section 2 - Schedule I: Operating Expenses by Functional Area.**

2 Please provide a version of the table that shows year-over-year percentage
3 changes. Focusing on year over year changes, please provide a detailed narrative
4 description of the changes for all categories experiencing more than a 5% change
5 from 2012 actuals to 2013 forecast.

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8 A. Refer to IC-NLH-024 Attachment 1 (Revision 1) for the table showing the year- over-
9 year percentage changes and detailed narrative description of the changes more
10 than 5% from 2012 actuals to 2013 forecast. This attachment has been revised to
11 include 2014 and 2015 Test Years.

Newfoundland and Labrador Hydro
Operating Expenses by Functional Area
2007 - 2015
(000's)

	Actual										
	2007	2008	2008 -2007 % change	2009	2009 -2008 % change	2010	2010 -2009 % change	2011	2011 -2010 % change	2012	2012 -2011 % change
Operations											
Thermal Generation	20,870	19,528	-6.43%	18,467	-5.43%	18,192	-1.49%	20,433	12.32%	19,932	-2.45%
Deferred Major Extraordinary Repairs	2,109	2,916	38.26%	2,715	-6.89%	2,582	-4.90%	1,644	-36.33%	606	-63.14%
Deferred Regulatory Costs	-	-		-		-		-		-	
Hydro Generation	9,112	8,843	-2.95%	9,447	6.83%	10,223	8.21%	10,949	7.10%	11,498	5.01%
Generation	32,091	31,287	-2.51%	30,629	-2.10%	30,997	1.20%	33,026	6.55%	32,036	-3.00%
System Operations and Planning	2,920	2,962	1.44%	2,668	-9.93%	3,026	13.42%	2,968	-1.92%	3,747	26.25%
Deferred Regulatory Costs	50	50	0.00%	50	0.00%	50	0.00%	50	0.00%	-	-100.00%
System Operations	2,970	3,012	1.41%	2,718	-9.76%	3,076	13.17%	3,018	-1.89%	3,747	24.16%
Transmission & Rural Operations	34,541	36,067	4.42%	35,165	-2.50%	38,054	8.22%	40,342	6.01%	43,415	7.62%
Deferred Major Extraordinary Repairs	-	-		-		-		-		-	
Transmission & Rural Operations	34,541	36,067	4.42%	35,165	-2.50%	38,054	8.22%	40,342	6.01%	43,415	7.62%
Total Operations	69,602	70,366	1.10%	68,512	-2.63%	72,127	5.28%	76,386	5.90%	79,198	3.68%
Corporate Services											
Project Execution and Technical Services	4,186	3,821	-8.72%	4,369	14.34%	4,051	-4.09%	3,528	-12.91%	2,774	-21.37%
Deferred Regulatory Costs	61	61	0.00%	61	0.00%	-	-100.00%	-	-	-	-
Finance	11,908	11,859	-0.41%	11,150	-5.98%	11,350	1.79%	12,301	8.38%	11,758	-4.41%
Deferred Regulatory Costs	223	225	0.90%	225	0.00%	-	-100.00%	-	-	-	-
Allocation to non-regulated customer	(2,679)	(2,673)	-0.22%	(1,875)	-29.85%	(2,648)	41.23%	(2,292)	-13.44%	(2,215)	-3.36%
Human Resources & Organizational Effectiveness	6,608	6,452	-2.36%	6,775	5.01%	6,020	-11.14%	7,526	25.02%	7,509	-0.23%
Leadership & Associates	2,762	1,812	-34.40%	1,230	-32.12%	1,333	8.37%	1,308	-1.88%	1,438	9.94%
Corporate Relations	5,022	4,771	-5.00%	9,417	97.38%	4,743	-49.63%	5,807	22.43%	6,006	3.43%
Total Corporate Services	28,091	26,328	-6.28%	31,352	19.08%	24,849	-20.74%	28,178	13.40%	27,270	-3.22%
Asset Write-down	-	-		505	100.00%	-	-100.00%	-	-	-	-
Operating Expenses	97,693	96,694	-1.02%	100,369	3.80%	96,976	-3.38%	104,564	7.82%	106,468	1.82%

	2013 -2012		Test Year						
	2013	% change	2014	2014 -2013 Inc. (Dec.)	% change	Reference	2015	2015 -2014 Inc. (Dec.)	% change Reference
Operations									
Thermal Generation	21,220	6.5%	22,644	1,424	6.7%	1	23,984	1,340	5.9% 9
Deferred Major Extraordinary Repairs	-		-	-			-	-	
Deferred Regulatory Costs	-		-	-			1,044	1,044	- 9
Hydro Generation	10,959	-4.7%	11,871	912	8.3%	2	12,438	567	4.8%
Generation	32,179	0.4%	34,515	2,336	7.3%		37,466	2,951	8.5%
System Operations and Planning	3,753	0.2%	3,604	(149)	-4.0%		5,765	2,161	60.0% 10
Deferred Regulatory Costs	-		-	-			-	-	
System Operations	3,753	0.2%	3,604	(149)	-4.0%		5,765	2,161	60.0%
Transmission & Rural Operations	48,210	11.0%	51,756	3,546	7.4%	3	56,660	4,904	9.5% 11
Deferred Major Extraordinary Repairs	-		-	-			249	249	- 11
Transmission & Rural Operations	48,210	11.0%	51,756	3,546	7.4%		56,909	5,153	10.0%
Total Operations	84,142	6.2%	89,875	5,733	6.8%		100,140	10,265	11.4%
Corporate Services									
Project Execution and Technical Services	2,949	6.3%	3,661	712	24.1%	4	4,176	515	14.1% 12
Deferred Regulatory Costs	-	0.0%	-	-			-	-	
Finance	11,753	0.0%	17,561	5,808	49.4%	5	16,881	(680)	-3.9%
Deferred Regulatory Costs	-	0.0%	-	-	0.0%		333	333	- 13
Allocation to non-regulated customer	(2,021)	-8.8%	(1,926)	95	-4.7%		(2,271)	(345)	17.9% 13
Human Resources & Organizational Effectiveness	7,346	-2.2%	8,153	807	11.0%	6	9,398	1,245	15.3% 14
Leadership & Associates	1,534	6.7%	2,031	497	32.4%	7	1,986	(45)	-2.2%
Corporate Relations	6,109	1.7%	6,713	604	9.9%	8	7,536	823	12.3% 15
Total Corporate Services	27,670	1.5%	36,193	8,523	30.8%		38,039	1,846	5.1%
Asset Write-down	-	0.0%	-		0.0%		-	-	0.0%
Operating Expenses	111,812	5.0%	126,068	14,256	12.7%		138,179	12,111	9.6%

(\$000's)								
Increase (decrease) Actual 2013 to Test Year 2014								
Reference #	1	2	3	4	5	6	7	8
Cost Type	Thermal Generation	Hydro Generation	Transmission and Rural Operations	Project Execution & Technical Services	Finance	Human Resources & Org. Effect	Leadership & Associates	Corporate Relations
Salaries and Benefits	799	265	1,810	211	847	638	599	241
System Equipment Maintenance (SEM)	160	321	1,071	(525)	(114)	39	6	12
Other Operating Expenses	465	326	665	1,026	5,170	130	(108)	351
TOTAL	1,424	912	3,546	712	5,903	807	497	604

1. Thermal Generation operating expenses have increased by \$1.4M from 2013 to 2014 due to increases in salary and benefits of \$0.8M, professional services of \$0.5M primarily due to an increase in studies and inspections and SEM of \$0.2M.

2. Hydro Generation expenses have increased by \$0.9M from 2013 to 2014 primarily due to salary and benefit increases of approximately \$0.3M, an increase of \$0.3M related to system equipment and maintenance and \$0.2M in professional services.

3. Transmission and Rural Operations expenses have increased by \$3.5M from 2013 to 2014 due to increases of \$1.8M in salaries and benefits, \$1.1M in SEM and \$0.7M in other operating expenses. The increase in SEM of \$1.1M is primarily due to costs associated with the incremental corrective and preventative backlog completed in 2014 and an increase in vegetation management. Other operating expenses increased due to site remediation at Sunnyside and an increase in condition assessments and inspections as a result of aging infrastructure.

4. Project Execution & Technical Services expenses have increased by \$0.7M from 2013 to 2014 due primarily to an increase of \$0.2M in salaries and benefits, an increase in professional services of \$0.2M and an increase in travel of \$0.1M. The reduction in SEM of \$0.5M relates to a non-recurring project in 2013 which was off-set in other operating costs by recovery from a third party.

5. Finance expenses have increased by \$5.9M from 2013 to 2014 due to an increase of \$0.9M in salaries and benefits, an increase of \$4.4M in professional services primarily relating to increases of \$2.4M in regulatory activities and \$2.0M associated with the Outage Inquiry and a decrease of \$0.6M in cost recoveries mainly due to IOC.

6. Human Resources and Organizational Effectiveness expenses have increased by \$0.8M from 2013 to 2014 primarily due to an increase of \$0.6M in salary and benefits and \$0.4M in environmental work which is partially offset by an increase of \$0.3M in cost recoveries.

7. Leadership & Associates expenses have increased by \$0.5M from 2013 to 2014 mainly due to increased salary and benefits of \$0.6M mainly due to an increase in inter-company salary charges from Nalcor which is partially mitigated by a \$0.1M reduction in professional services.

8. Corporate Relations expenses have increased by \$0.6M from 2013 to 2014 mainly due to increases of \$0.2M in salary and benefits and a \$0.3M increase in energy management costs and other operating expenses.

(\$000's)							
Increase (decrease) Test Year 2014 to Test Year 2015							
Reference #	9	10	11	12	13	14	15
Cost Type	Thermal Generation	System Operations and Planning	Transmission and Rural Operations	Project Execution & Technical Services	Finance	Human Resources & Org. Effect	Corporate Relations
Salaries and Benefits	1,524	1,330	1,463	518	825	723	506
System Equipment Maintenance (SEM)	(19)	6	4,006	9	(77)	7	5
Other Operating Expenses	879	825	(316)	(12)	(1,440)	515	312
TOTAL	2,384	2,161	5,153	515	(692)	1,245	823

9. Thermal Generation operating expenses have increased by \$2.4M from 2014 to 2015 mainly due to Salary and benefit increases of \$1.5M and an increase of \$1.0M due to the amortization of Holyrood Blackstart Diesel leases.

10. System operations and planning increased by \$2.2M due to an increase in salaries and benefits of \$1.3M, and an increase in consulting costs related to system planning studies.

11. Transmission and Rural Operations expenses have increased by \$5.2M from 2014 to 2015 primarily due a \$1.5M increase in salaries and benefits, an increase's of \$4.0M in SEM and a decrease in other expenses of \$0.3M. SEM increased by \$4.0M primarily due to \$2.6M associated with the new CT, an increase of \$2.8M related to maintenance of transmission assets in Labrador that were previously incurred by TwinCo which is partially off-set by a reduction of \$1.4M in corrective and preventative maintenance in comparison to 2014. The reduction in other expenses of \$0.3M was a return to a more normal level of activity and costs.

12. Project Execution & Technical Services expenses have increased by \$0.5M from 2014 to 2015 due primarily to increased salary and benefits costs.

13. Finance expenses have decreased by \$0.7M from 2014 to 2015 mainly due to a decrease of \$2.1M in professional services related to consulting and regulated activities. The \$2.1M decrease was offset by an increase of \$0.8M in salary and benefit costs and a decrease in the IOC cost recovery of \$0.5M.

14. Human Resources and Organizational Effectiveness expenses have increased by \$1.2M from 2014 to 2015 primarily due to increased salary and benefit costs of \$0.7M coupled with a decrease of \$0.4M in cost recoveries.

15. Corporate Relations expenses have increased by \$0.8M from 2014 to 2015 mainly due to increased salary and benefits of \$0.5M and a \$0.3M increase in municipal taxes and other operating expenses.