

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.
6
7
8 A. Refer to IC-NLH-024 Attachment 1, pages 1 and 2, for the table showing the year-
9 over-year percentage changes and detailed narrative description of the changes
10 more than 5% from 2012 actuals to 2013 forecast.

Newfoundland and Labrador Hydro
Operating Expenses by Functional Area
2007 - 2013
(000's)

IC-NLH-024, Attachment 1
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| | Actual | | | | | | | | | | Forecast | | | Reference | |
|--|---------------|---------------|---------------|----------------|---------------|---------------|----------------|----------------|---------------|----------------|---------------|----------------|--------------|---------------|-------------|
| | | | 2008 - 2007 | | 2009 - 2008 | | 2010 - 2009 | | 2011 - 2010 | | 2012 - 2011 | | 2013 | 2013 - 2012 | 2013 - 2012 |
| | 2007 | 2008 | % change | 2009 | % change | 2010 | % change | 2011 | % change | 2012 | % change | 2013 | Inc. (Dec.) | % 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% | 22,018 | 2,086 | 10.47% | 1 |
| 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% | - | (606) | -100.00% | 1 |
| Hydro Generation | 9,112 | 8,843 | -2.95% | 9,447 | 6.83% | 10,223 | 8.21% | 10,949 | 7.10% | 11,498 | 5.01% | 11,630 | 132 | 1.15% | |
| Generation | 32,091 | 31,287 | -2.51% | 30,629 | -2.10% | 30,997 | 1.20% | 33,026 | 6.55% | 32,036 | -3.00% | 33,648 | 1,612 | 5.03% | |
| System Operations | 2,184 | 2,491 | 14.06% | 2,176 | -12.65% | 2,415 | 10.98% | 2,316 | -4.10% | 2,594 | 12.00% | 2,849 | 255 | 9.83% | 2 |
| Deferred Regulatory Costs | 50 | 50 | 0.00% | 50 | 0.00% | 50 | 0.00% | 50 | 0.00% | - | -100.00% | - | - | - | - |
| System Operations | 2,234 | 2,541 | 13.74% | 2,226 | | 2,465 | | 2,366 | | 2,594 | | 2,849 | 255 | | |
| 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% | 44,617 | 1,202 | 2.77% | |
| Total Operations | 68,866 | 69,895 | 1.49% | 68,020 | -2.68% | 71,516 | 5.14% | 75,734 | 5.90% | 78,045 | 3.05% | 81,114 | 3,069 | 3.93% | |
| Corporate Services | | | | | | | | | | | | | | | |
| Project Execution and Technical Services | 4,922 | 4,292 | -12.80% | 4,861 | 13.26% | 4,662 | -4.09% | 4,180 | -10.34% | 3,927 | -6.05% | 4,668 | 741 | 18.87% | 3 |
| 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% | 12,711 | 953 | 8.11% | 4 |
| Deferred Regulatory Costs | 223 | 225 | 0.90% | 225 | 0.00% | - | -100.00% | - | - | - | - | 333 | 333 | - | |
| 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% | (2,108) | 107 | -4.83% | |
| 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% | 8,783 | 1,274 | 16.97% | 5 |
| Leadership & Associates | 2,762 | 1,812 | -34.40% | 1,230 | -32.12% | 1,333 | 8.37% | 1,308 | -1.88% | 1,438 | 9.94% | 1,822 | 384 | 26.70% | 6 |
| Corporate Relations | 5,022 | 4,771 | -5.00% | 9,417 | 97.38% | 4,743 | -49.63% | 5,807 | 22.43% | 6,006 | 3.43% | 6,497 | 491 | 8.18% | 7 |
| Total Corporate Services | 28,827 | 26,799 | -7.04% | 31,844 | 18.83% | 25,460 | -20.05% | 28,830 | 13.24% | 28,423 | -1.41% | 32,706 | 4,283 | 15.07% | |
| Asset Write-down | - | - | - | 505 | - | - | -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% | 113,820 | 7,352 | 6.91% | |

| Reference # | (\$000's) | | | | | | |
|------------------------------------|--|------------|------------|------------|--------------|------------|------------|
| | Increase (decrease) Actual 2012 to Forecast 2013 | | | | | | |
| Cost Type | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Salaries and Benefits | 1,049 | 221 | 445 | 996 | 734 | 463 | 210 |
| System Equipment Maintenance (SEM) | 608 | (1) | 103 | 413 | 81 | 7 | 25 |
| Other Operating Expenses | (177) | 35 | 193 | (457) | 459 | (86) | 256 |
| TOTAL | 1,480 | 255 | 741 | 953 | 1,274 | 384 | 491 |

Reference #

1. Thermal Generation operating expenses have increased by \$1.5M from 2012 to 2013. Salary and benefit increases of \$1.0M are related to an additional 6.0 net FTE's and union negotiated agreements. In addition, SEM costs have increased by \$0.6M due to corrective maintenance costs in 2013 and completion of the Asbestos program amortization in 2012.
2. Systems Operations expenses have increased by \$0.3 from 2012 to 2013 mainly due to salary and benefit increases.
3. Project Execution & Technical Services expenses have increased by \$0.7M from 2012 to 2013 due primarily to salary and benefits and travel costs.
4. Finance expenses have increased by \$1.0M from 2012 to 2013 mainly due to an additional 4.0 net FTE's and increased salaries and benefit costs.
5. Human Resources and Organizational Effectiveness expenses have increased by \$1.3M from 2012 to 2013 primarily due to salary and benefit costs, training costs and professional services.
6. Leadership and Associates costs have increased by \$0.4M mainly due to inter-company salary and benefit charges from Nalcor.
7. Corporate Relations expenses have increased by \$0.5M mainly due to increased salary and benefits and advertising costs.