

1 Q. Further to response to Request for Information NP-NLH-012:

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3 Labour-related costs for Engineering Services are forecast to increase from
4 \$1,151,000 in 2016 to \$3,088,000 in 2019T. Please provide full details of this
5 \$1,937,000 increase, together with a full business justification for the requirement
6 for the increase.

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9 A. The increase in labour costs for Engineering Services was primarily due to an
10 increase in FTEs partially offset by an increase in capitalized labour. This also
11 resulted in an increase in associated benefits. Salary adjustments in each year were
12 consistent with assumptions outlined in Hydro's response to PUB-NLH-058.

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14 The business justification for these changes is driven by the need for corporate
15 reorganization to ensure organizational independence for Hydro, while enhancing
16 organizational effectiveness and minimizing intercompany transactions for
17 Engineering Services. Previously, these FTEs resided in Nalcor and provided services
18 to Hydro.

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20 Details are provided in Table 1.

Table 1 Cost Drivers in Engineering Services Labour Related Costs 2016 Actual – 2019TY

	\$(Millions)
Salary Increase	\$0.6
FTE Changes	\$2.7
Capitalized Labour	\$(1.5)
Intercompany charges	\$(0.5)
Group Insurance	\$0.1
Fringe	\$0.5
Total	\$1.9