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

Labour-related costs for Financial Services are forecast to increase from $3,848,000 in 2016 to $6,948,000 in 2019T. Please provide full details of this $3,100,000 increase, together with a full business justification for the requirement for the increase.

A. The increase in labour costs for Financial Services was primarily due to a change in home-based FTEs, salary increases, and labour recharges. The components of the $3.1 million are provided in Table 1.

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

	$(Millions)
Salary increases	0.5
FTE changes	1.3
Capitalized Labour	0.3
Intercompany charges	0.7
Group Insurance	0.1
Fringe Benefits	0.2
Total	**3.1**

The changes in home-based FTEs include the transfer of the stores function into Finance and the addition of 5 new positions, as provided in Hydro's response to NP-NLH-171, and other changes due to the corporate reorganization. As part of the reorganization, Hydro transferred home based FTEs to non-regulated Hydro operations. As a result, net intercompany charges decreased overall from 2016 to 2019 as outlined in Table 2.

Table 2 Changes in Intercompany Charges 2016 Actual – 2019TY

	2016	2019	Change
Labour In	0.4	0.1	-0.3
Labour out	-1.6	-0.6	1.0

The increase in fringe and group insurance costs were related to the increase in FTEs. Salary adjustments in each year were made consistent with assumptions outlined in Hydro's response to PUB-NLH-058.