

1 Q. Further to response to Request for Information NP-NLH-076:

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3 Operating costs for Communications are forecast to increase from \$583,000 in 2016  
4 to \$865,000 in 2019T. Please provide full details of this \$282,000 increase, together  
5 with a full business justification for the requirement for the increase.

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8 A. The increase in operating costs for Communications was primarily due to an  
9 increase in FTEs as well as an increase in budget for advertising and professional  
10 services. The business justification for these FTE changes is driven by the need for  
11 corporate reorganization to ensure organizational independence for Hydro, while  
12 enhancing organizational effectiveness and minimizing intercompany transactions.

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14 The Communications operating budget was reduced in 2016 after targeted  
15 reductions and efficiency opportunities were applied (please refer to Hydro's  
16 response to PUB-NLH-054). Reductions in professional service contracts and  
17 advertising costs were specifically targeted. Following the reorganization, the  
18 communications team is now proceeding with all planned activities within its  
19 communication strategy with a cost conscious approach, and increases in the 2019  
20 Test Year are related to maintaining the sustainability of Hydro's communication  
21 strategy after the 2016 budget reductions.

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23 Details are provided in Table 1.

**Table 1 Cost Drivers of Communications Operating Costs 2016 Actual – 2019TY**

	<b>\$(Millions)</b>
FTE Changes <sup>1</sup>	\$0.12
Fringe	\$0.02
Advertising	\$0.12
Professional Services	\$0.02
<b>Total</b>	<b>\$0.28</b>

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<sup>1</sup> FTE change included 1 new position per Hydro's response to PUB-NLH-033.