Q. **Reference: Volume I, Section 3.1.1, Issue Topic: Operating Efficiencies**

Please provide a detailed explanation of Hydro's process to determine its 2027 test year operating labour requirements using zero-based budgeting including the forecasting of FTE totals and the determination of the allocation between capital and operating.

A. The 2027 Test Year labour requirements were created during the 2025 budget cycle, where each line of business was required to define the full-time equivalents ("FTE") for 2025, 2026 and 2027 Test Year. As discussed in Newfoundland and Labrador Hydro's ("Hydro") 2026 General Rate Application, workforce requirements are driven by its operational and capital requirements and are assessed on an annual basis utilizing workforce planning practices. Growth in its workforce in recent years has primarily reflected major capital investment requirements, electrification, internal talent pipeline development, and succession planning for key and critical roles, in line with Hydro's strategic priorities.

Each department was provided with a list of existing positions and was asked to justify the requirement for each additional, vacant, and/or temporary/term position for each of the years 2025, 2026 and 2027. Changes to departmental FTE budgets were reviewed and approved through the appropriate channels and in line with organizational priorities.

The net FTE budget for the 2027 Test Year was determined by budgeted labour recharge. Each department was also responsible for providing the labour recharge requirements. This review includes the expected operating/capital labour split for the applicable year within each department based on operational requirements.