

1 **Q. Reference: Volume I, Schedule B-I, Issue Topic: Operating Efficiencies**

2 Please provide a breakdown of the General Expenses Capitalized Deferral for the years 2025 to
3 2027 test year by department. Please also include an estimate of operating labour costs related
4 to major projects from 2019 to 2024 as well as the 2019 test year.

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7 **A.** The salaries deferred to the General Expenses Capitalized ("GEC") Deferral Account as outlined
8 in the GEC Deferral Account definition in Board of Commissioners of Public Utilities ("Board")
9 Order No. P.U. 32(2025) represent approved portions of operations and maintenance labour
10 expenses that are directly attributable to Newfoundland and Labrador Hydro's ("Hydro") capital
11 program but, due to their general nature, cannot be directly assigned to a specific capital
12 project. These costs are capital-related overhead labour costs incurred in departments that
13 provide support to Hydro's capital program. Consistent with the Board-approved methodology,
14 a prescribed percentage of labour costs within the applicable departments is transferred to the
15 GEC Deferral Account for deferred recovery. The applicable departments are Major Projects,
16 Engineering Services, Regulatory Affairs, Supply Chain, Finance, Human Resources and
17 Information Services, Production Operations, and Transmission and Rural Operations, for which
18 the Board approved departmental capitalization percentages ranging from 1% to 100%.

19 Please refer to NP-NLH-054, Attachment 1 for a breakdown of the GEC deferral for the years
20 2025 to 2027 Test Year by functional area.

21 The estimated operating labour costs for major capital projects from 2019 to 2024 is
22 approximately \$0.6 million in 2024. The Major Projects department was established in late 2023
23 and, prior to its establishment, activities now performed by the department were performed
24 within other areas of the organization. Labour costs were charged in accordance with Hydro's
25 Intercompany Transaction Costing Guidelines.

Newfoundland and Labrador Hydro
Total GEC Deferral by Functional Area
(\$000)

	2025 Actual	2026 Forecast	2027 Test Year
Operations			
Transmission & Distribution	(318)	(329)	(339)
Production	(782)	(894)	(922)
Engineering Services	(1,078)	(958)	(957)
System Planning	-	-	-
Newfoundland and Labrador System Operator	-	-	-
Asset Management	-	-	-
Major Projects	(1,223)	(1,189)	(1,264)
Operations Technology	(598)	(670)	(696)
Total Operations	(3,999)	(4,041)	(4,178)
General and Administration			
Executive	-	-	-
Financial Services and Other	(1,622)	(1,630)	(1,683)
People, Culture and Corporate Affairs	(223)	(256)	(264)
Regulatory, Customer Service and Energy Optimization	(440)	(462)	(452)
Total General and Administration	(2,285)	(2,348)	(2,400)
Total GEC Deferral	(6,284)	(6,389)	(6,578)