

1 Q. Re: NLH Evidence, Section 3, page 3.13, lines 22-24, and page 3.14, lines 1-14.
2 It is stated that 24 positions were transferred from regulated NLH to Nalcor, and
3 that this reduction in costs created a strategic opportunity for NLH to expand its
4 engineering and operations workforce, and to implement retention and
5 recruitment initiative.

6
7 Was NLH aware, during the years from 2008 to 2013, that NLH's customers would
8 face rate increases as dramatic as those sought in the present application?

9
10 If so, why did NLH not take advantage of these reductions in cost in order to
11 mitigate the dramatic rate increases sought in the present application?

12
13
14 A. Hydro was aware of increasing cost pressure on revenue requirements over the
15 period 2008 to 2013.

16
17 As outlined in its evidence, most of Hydro's assets on the Island Interconnected
18 System are presently over 40 years old. Aging assets results in increasing capital
19 replacement and refurbishment expenditures and, in combination with load growth
20 requirements, results in increased work force requirements. Given the tightening
21 labour market in the Province, Hydro has addressed retention and recruitment of
22 employees while maintaining its operating expenses to an average inflationary level
23 of 2.3% over the period of 2007 to 2013. Maintaining cost control over its operating
24 expenses, in combination with access to new wind and hydro generation sources
25 since 2007, has resulted in Hydro proposing a rate decrease for Island
26 Interconnected System customers as well as customers on the L'Anse au Loup and
27 Island Isolated Systems customers.

1

2

On the Labrador Interconnected system, Hydro has a significant distribution System upgrade program underway as a result of load growth in Labrador West. With significant economic activity underway on the Labrador Interconnected System, currently and into the future, attracting workers will continue to be a challenge. In this regard, the Labrador Interconnected System also benefits from Hydro's work force recruitment and retention initiative.

3

4

5

6

7

8

9

10

Rate increases on the Labrador Interconnected System mainly result from the significant capital distribution upgrades coming into service and an increase in the Rural Deficit which is funded by Newfoundland Power's customers and customers on the Labrador Interconnected System. Savings included in the 2013 Test Year which help offset the Rural Deficit are outlined in response to NP-NLH-098.

11

12

13