Q. **Reference: Volume 1, page 3.1**

Hydro states (lines 15 to 18) “Hydro has compiled its forecast for the 2027 Test Year using a combination of zero-based budgeting and historical average approach. The major cost components…were derived using zero-based budgeting, including, but not limited to, employee salaries and benefits, professional services and SEM costs.” Provide a list and quantification of the related $ associated with those historic FTEs and costs items from 2026 (or prior years) that were not justified to continue for the 2027 Test Year and directly result from Hydro’s zero-based budgeting approach.

A. As defined in Chapter 3, footnote 6 of Newfoundland and Labrador Hydro’s (“Hydro”) 2026 General Rate Application, zero-based budgeting is a strategic financial approach where all expenses must be justified for each new period, starting from a zero base, rather than adjusting previous budgets. In developing the 2027 Test Year forecast, Hydro did not maintain an itemized list of full-time equivalents (“FTE”) or cost items from 2026 or prior years that were removed as a direct result of applying a zero-based budgeting approach. Rather, each FTE and cost component was budgeted based on its justification for inclusion in the 2027 Test Year. Consequently, Hydro is unable to provide a quantified list of historical FTEs or cost items that were not continued specifically as a result of applying the zero-based budgeting methodology.