

1 **Q. Reference: NP-NLH-053, Issue Topic: Operating Efficiencies.**

2 Please explain the change from 2024 to 2027 test year for (i) Labor Recharge, (ii) Employee
3 Future Benefits and (iii) Benefits.

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6 **A. (i)** The increase in labour recharge from 2024 to 2027 Test Year is primarily driven by salary
7 adjustments as detailed in Chapter 2 of Newfoundland and Labrador Hydro's ("Hydro") 2026
8 General Rate Application ("GRA"), and changes within Intercompany Transactions Costing
9 Guidelines. There was a net decrease in the number of full-time equivalents charging out of
10 Hydro's regulated business segment, as shown in PUB-NLH-022, Attachment 1 of this
11 proceeding. This is primarily related to the introduction of new admin fees in 2025/2026
12 that impacted the number of executives, and employee engagement and communications
13 personnel who had previously charged into and out of Hydro's regulated business segment,
14 which are now allocated via an admin fee.

15 **(ii)** The increase in Employee Future Benefits ("EFB") from 2024 to 2027 Test Year is a result of
16 an increase in actuarial projections (particularly in service and interest costs), using the
17 latest available actuarial EFB report provided by Hydro's actuarial consultant.

18 **(iii)** The increase in benefits from 2024 to the 2027 Test Year is primarily driven by salary
19 adjustments, as detailed in Chapter 2 of the 2026 GRA. Fringe benefits and certain group
20 insurance costs (i.e., group life, accidental death & dismemberment) are directly related to
21 salary costs, with fringe benefits calculated as a percentage of overall salary costs. With
22 respect to group benefits, Hydro's premium adjustments were based on a review of both
23 the benefit plan's claims experience (including historical utilization) and anticipated inflation
24 and utilization for the upcoming year. This assessment was informed by the expertise and
25 advice of Hydro's benefits consultant, HUB.