

1 Q. Reference p. 23 of the Regulated Activities: Evidence and reference
2 Schedule I to Evidence of J. R. Haynes, please explain why costs for Human
3 Resources and Organizational Effectiveness have increased by
4 approximately \$3 million from 2002 to forecast 2007 (\$9,203,000 to
5 \$12,288,000) and why Hydro is forecasting an increase in these costs from
6 \$10,660,000 in 2005 to \$12,228,000 in the Test Year.

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9 A. Costs for Human Resources and Organizational Effectiveness have
10 increased by \$3 million from 2002 to 2007 primarily due to increases in
11 employee future benefits (EFB) (\$2 million) and group insurance (\$0.8
12 million). The increase from 2005 to 2007 of \$1.6 million is primarily due to
13 increases in EFB (\$0.2 million) and group insurance (\$0.3 million), higher
14 apprentice salaries in 2007 due to timing of recruitment in 2005 (\$0.5 million),
15 and higher salaries in 2007 due to moving of employees in the Properties
16 section to Human Resources and Organizational Effectiveness which
17 occurred late in 2005 (\$0.4 million)

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19 Note that in 2005, Hydro changed its approach to internal allocation of
20 employee future benefits and group insurance expenses. Prior to 2005,
21 these amounts were recorded in the Human Resources department. In
22 2005, Hydro commenced allocating these expenses to business units, based
23 on salaries, in order to more accurately reflect total labour cost that was
24 being incurred in each business unit. However, in Schedule I to Evidence of
25 J.R. Haynes, costs associated with Employee Future Benefits and Group
26 Insurance were moved from the individual business units back to the Human
27 Resources and Organizational Effectiveness division for years 2005-7. This

- 1 re-classification was made on this schedule to achieve better comparability of
- 2 each department's operating and maintenance expense from year to year.