

1 Q. What is Hydro's policy with respect to capitalization of salaries and benefits  
2 or other overheads? Please describe how the salary and benefit amounts to  
3 be capitalized are determined on an actual and a forecast basis.

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6 A. There are three ways that salaries get charged to the capital program:

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8 **Direct Support**

9 There are a number of departments which support the planning, design and

10 management of the capital program, including engineering and environment.

11 Employees in these departments who work on capital charge their time to the

12 capital projects via a timesheet at a rate which includes base pay, fringe

13 benefits and 38% departmental overhead loading factor to cover an

14 appropriate proportion of the management and other expenses of these

15 departments.

16

17 **Tradespersons**

18 Employees who work hands-on during the construction phase of a specific

19 capital project charge their hours directly to that project on their timesheet.

20 This would include for example, information systems analysts, lineworkers,

21 and other tradespersons. The billing rate includes base pay plus fringe

22 benefits, plus 20% to cover the management and other expenses of those

23 departments.

24

25 **Indirect Support / Corporate Overhead**

26 Each non-construction department (mainly head office / corporate services

27 departments) estimates the amount of effort that is expended on operating

28 versus capital activities. Those proportions of each department's budget are

1        totaled and compared to the total capital budget to develop a percentage or  
2        standard rate which is used to allocate these costs to capital work orders.  
3        These allocations are intended to ensure that capital projects are adequately  
4        charged with the cost of support functions such as accounting and finance,  
5        systems operations and system planning engineering and other expenses  
6        which cannot be directly charged to specific capital projects. This corporate  
7        overhead rate is 6%.

8  
9        On a forecast basis, each department estimates the time that will be spent on  
10       the projects which are in the capital budget for any given year.