

1 Q. Please explain how Newfoundland Hydro and Nalcor Energy each determines the
2 appropriate annual balance of permanent employees, temporary employees and
3 external contactors required to complete the work requirements for the year.

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6 A. Hydro and Nalcor are committed to ensuring there is an appropriate balance of
7 permanent employees, term and temporary employees and external contractors to
8 ensure work requirements are completed in a safe, prudent manner. Both Hydro
9 and Nalcor use employees wherever it is reasonable, efficient and effective to do
10 so. Both companies consider whether they can get services more effectively
11 through an affiliate or from an outside entity.

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13 In their respective annual budgeting process, Hydro and Nalcor consult with
14 personnel in various areas to determine the workforce requirements for the
15 upcoming year. Workforces are comprised of permanent staff, term and temporary
16 staff, as well as contractors. Typically, internal permanent employees support the
17 work requirements for operational related functions which are supplemented, as
18 necessary, by temporary labour during seasonal peaks for maintenance activities, as
19 well as by term employees and contractors for specialized work mainly related to
20 capital programs. Through the budgeting process, management outlines the
21 required resources for the upcoming year for their respective business units,
22 including the complement of permanent, term and temporary employees, and
23 contractors required to successfully complete work plans. Required resources
24 identified through this process are discussed directly with the responsible Executive
25 Vice President/Vice President for alignment and approval. Once approved at the
26 Executive Level, costs associated with employee salary costs as well as external

1 contractors are included in budget submissions to each of Hydro's and Nalcor's
2 Boards of Directors, as well as the Government of Newfoundland and Labrador.

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4 Hydro's labour requirements are primarily driven by its focus on efficient
5 operations, maintenance, renewal of aging assets through capital programs, as well
6 as to provide new assets to meet growth in customer demand. Please refer to PUB-
7 Nalcor-007, Attachment 1, for further information on Hydro's process in deciding
8 whether to retain an embedded contractor.

1 Q. Further to the response to CA-NLH-142, explain why Hydro uses embedded
2 contractors rather than directly retaining the individuals as employees and the
3 process followed to decide to retain an embedded contractor. In the response,
4 include the level of authority required to authorize the retention of an embedded
5 contractor.

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8 A. Hydro uses embedded contractors to supplement its workforce, when required, to
9 execute its annual work plan. This is managed through an annual cycle of resource
10 planning. The resources required for execution of the annual work plan are
11 primarily dependent on the composition and size of the annual capital budget. To
12 execute projects, Hydro assembles teams, which include program managers,
13 project managers, project planners, and project engineers of the various
14 engineering disciplines (mechanical, civil, electrical, protection, controls,
15 communications, and transmission and distribution). The number of individuals
16 required in each of the roles varies from year-to-year depending on the number,
17 size, and scope of the approved capital projects.

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20 In the year prior to execution, an initial work plan is created by building individual
21 project plans and identifying the project team resources that are required to
22 execute the work. These project plans and resource requirements are compiled
23 into one annual work plan. Hydro first assigns and fully loads its employees to
24 specific work in the annual work plan. Project team members are assigned based
25 on engineering discipline, specific area of expertise, experience in similar projects,
26 opportunities for personal development, and team continuity for multi-year
projects.

1 The balance of the resource plan is filled through embedded contractors. Hydro has
2 an established process for the procurement of professional services that complies
3 with the *Public Tender Act*. Most contracts for the provision of embedded
4 contractors are established for a single calendar year, or portion thereof, to
5 coincide with Hydro's annual planning cycle and to keep within the approval of the
6 annual Capital Budget Application.

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8 Accountability for this resource planning rests with the Manager of Project
9 Execution and the Manager of Project Services within the Engineering Services
10 Division. These managers report directly to the Vice President of Engineering
11 Services. The manager or supervisor for each engineering discipline is consulted
12 through this iterative process to ensure best use of internal resources and prudent
13 selection of external resources. The practice at Hydro is that the authorization of
14 the retention of an embedded contractor resides with the accountable vice
15 president.

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17 Hydro's capital program has grown in recent years, as a result of increased
18 sustaining capital to address aging assets, the addition of a capital program for
19 Exploits generating assets,¹ and projects to support the integration of the Muskrat
20 Falls Project. A significant number of embedded contractors have been required to
21 supplement Hydro's workforce and execute this work plan. Hydro recognizes the
22 importance of having full time individuals as employees and continues to work to
23 adjust the number of full time equivalent employees to support a sustained level of
24 work plan activity, thus reducing reliance on embedded contractors.

¹ The costs associated with Exploits are non-regulated and are not included in Hydro's revenue requirement for recovery from customers.