

1 Q. Please file a labour forecast for 2013 and 2014 showing the detailed information
2 concerning the method used to forecast FTEs and labour expense as well as an
3 explanation of the assumptions used to determine forecast vacancies (in the
4 fashion filed by Newfoundland Power Inc. on September 14, 2012 in its GRA at B.

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7 A. This response provides Hydro's forecast FTEs and labour expense for 2014 and
8 2015, as well as the assumptions used to forecast vacancies.

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10 Since 2007, Hydro's home based¹ budgeted FTEs have ranged from 839 to 864,
11 increasing to 943 in 2015. Factoring in the charges to and charges out² of regulated
12 operations to other lines of business (LOBs), the net FTE ranged from 797 to 888.
13 FTEs are budgeted to support the operational and capital requirements as well as to
14 incorporate the provision for shared services allocated to other lines of business.

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16 In its annual budgeting process, the company consults with personnel in its various
17 areas³ to determine the workforce requirements for the upcoming year.

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19 Hydro's labour requirements are primarily driven by its focus on efficient
20 operations, maintenance, renewal of aging assets through capital programs, as well
21 as to provide new assets to meet growth in customer demand. In particular, the
22 requirement for engineering expertise has increased to support the increase in
23 capital expenditures.

¹ Home based FTE is prior to any charges in or out of Hydro.

² In 2008, Hydro adopted a matrix approach to the sharing of functional support services across the various Nalcor LOBs. Many of these support services continue to be located inside Hydro and those support positions charge hours out to other LOBs.

³ Hydro Generation, Thermal Generation, Transmission and Rural Operations, Executive and Administration departments, and Project Execution and Technical Service Departments.

1 Annual workforce requirements are comprised of permanent staff, term and
2 temporary⁴ staff, as well as contractors. Typically, internal permanent employees
3 support the work requirements for operational related functions which is
4 supplemented, as necessary, by temporary labour during seasonal peaks for
5 maintenance activities, as well as by term employees⁵ and contractors for
6 specialized work mainly related to capital programs. Contractors are not
7 considered part of the FTE budget.

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9 Hydro's method of forecasting vacancies combines a review of past vacancy
10 experience and current year vacancy experience, with a particular emphasis on the
11 prior and current year trends. A vacancy analysis is done at least twice per year, at
12 mid-year and in the third quarter. Depending on the results of the analysis, for
13 example if vacancies are trending higher than expected, the company conducts
14 further investigation to determine an appropriate course of action to address those
15 vacancies.

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17 Hydro takes into account the anticipated retirements, leave of absences, voluntary
18 resignations, and new hires to estimate a vacancy allowance for the next year. To
19 further assist in preparing a vacancy forecast, there is consultation with the area
20 management teams to review the status of job competitions and assist in
21 confirming expected fill dates for positions in their respective area.

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23 The tightening labour market and associated difficulty in recruiting trades and
24 technology positions, particularly in rural areas, has impacted the vacancy rate in
25 recent years. Additionally, there is a domino effect when filling some positions
26 internally related to the lag time from date of vacancy to actual date of hire.

⁴ Temporary staff are hired for durations of up to six months.

⁵ Employees hired for a period from 12 months up to four years.

The 2014 FTEs and internal labour expense were calculated using the 2013 year end FTEs and labour expense as the starting point. The 2013 budgeted FTE was 864⁶ and the associated budget was \$67.2 million. The actual 2013 FTE was 813 and the associated labour expense was \$62.6 million (base salaries⁷). This actual expense included the impact of all vacancies in 2013.

In 2013, there were 31 retirements, five voluntary resignations, and 11 employees commenced a leave of absence. Hydro conducted 116 job competitions and had a provision for 40 vacancies in the 2013 budget. The actual vacancy was 51 FTEs. Through the recruitment and retention initiatives, the company aims to reduce vacancies in future years. []

Based on capital and operational requirements for 2014 as well as expected salary adjustments, the 2014 labour forecast was 865 FTEs⁸ with an anticipated labour expense at \$68.4 million. The salary increase forecast is inclusive of a 3% economic adjustment and additional adjustments for step progressions and merit adjustments. The vacancy allowance was forecasted at \$3.27 million for the equivalent of 40 FTEs. The company maintained its vacancy forecast to 40 FTEs in consideration of the vacancy experience over the past six years (average of 35 per year), the increasing vacancy trend over the past several years, as well as an increase in projected retirements.

As of September 30, 2014, there were 17 retirements, eight voluntary resignations, and 12 employees on a leave of absence⁹. Hydro anticipates additional retirements

⁶ This excludes charges in from other LOBs or charges out to other LOBs.

⁷ Base salary excludes overtime, allowances, benefits, or other pay types.

⁸ Hydro does not undertake such analysis such as illustrated in Newfoundland Power Inc.'s GRA at B. Reports on September 2012 - Labour Forecast 2012 -2014.

⁹ This includes employees on maternity leave, long term sick leave, and other leave without pay.

1 before year end due to the high number of employees within reach of an
2 unreduced pension (85 employees are currently eligible for unreduced retirement
3 benefits¹⁰). Hydro has conducted 155 job competitions¹¹ as of the end of
4 November. As indicated, Hydro forecasted 40 vacancies for 2014 but its
5 experience, as of November 30, is trending around 50 FTEs and the vacancy for
6 2014 is now anticipated to exceed the budget of 40. []

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10 The Labour Forecast increased from 2014 to 2015 by 37 home based FTEs. These
11 increases are primarily related to an increase in Engineering and Operations FTEs
12 for capital programs and an increase of FTEs in the Hydro Finance Department
13 which was reorganized in 2014 to increase support specific to Hydro related
14 financial activity. The vacancy assumption for 2015 will be consistent with the 2014
15 forecast at 40 with a vacancy allowance forecast of \$3.34 million and the labour
16 expense adjusted for cost of living of 2%.

¹⁰ Historical data shows that on average those who delay retirement do so by approximately three years. Retirements have averaged 31 per year since 2007.

¹¹ From January to November 2014, Hydro had 155 job competitions.