

- 1 Q. **Reference: Finance Evidence**
2 In the table below, for each year from 2008 to 2015 forecast, please provide a
3 breakdown of the increase in salaries and benefits attributed to (i) the change in
4 the number of employees and (ii) the change in salaries and benefits. (Finance
5 Evidence, Schedule I, page 9 of 11, line 2)

Breakdown of Salaries and Benefits Increases (\$000s)								
Reason for Increase	2008	2009	2010	2011	2012	2013P	2014F	2015F
Increase attributed to the change in the number of employees								
Increase attributed to the change in salaries and benefits								
Total Increase	1,522	3,670	3,759	2,612	2,597	5,121		

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- A. Table 1 shows the change in salaries and benefits that can be attributed to the change in the FTEs, changes in salaries and benefits as well as charges that result from the recharge of labour to and from Hydro. A number of positions were transferred from regulated Hydro to Nalcor to more closely reflect organizational changes¹ and sharing of services. Costs incurred are charged in accordance with the Guidelines for Intercompany Transactions, as provided in Exhibit 8 and result in labour recharges. Table 1 has been updated to reflect an additional column for the 2016 Budget amount.

¹ Nalcor facilitates the sharing of personnel through a matrix organizational model. Transfers were primarily in the areas of Executive Leadership, Corporate Communications, Internal Audit and Finance, as well as staff associated with non-regulated activities in Hydro.

Table 1

Breakdown of Salaries and Benefits Increases (\$000s)										
Reason for Increase	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2016B
Increase (Decrease) attributed to the change in the number of employees	(2,836)	1,498	765	(1,150)	(1,046)	278	5,085	4,935	(465)	(2,255)
Increase attributed to the change in salaries and benefits	2,716	2,951	2,748	3,298	3,439	3,592	1,545	4,823 ³	2,512	2,199
Increase (Decrease) in Labour Recharge	1,642	(778)	246	465	204	215	317	(1,215)	24	(1,234)
Total Increase	1,522	3,670	3,759	2,612	2,597	4,086	6,947	8,542	2,070	(1,290)

2008:

From 2007 to 2008 there was a reduction of 25.5 home based FTEs. This was as a result of 24 positions being transferred from Hydro's Regulated Operations to Nalcor. As these were primarily senior positions, there was a significant impact on total salaries and benefits within Hydro. Offsetting the decrease in home based FTEs was an increase in labour recharge of 13 FTEs.

2009:

From 2008 to 2009 there was an increase of 16 home based FTEs. This was primarily attributed to the addition of FTEs to the Project Execution and Technical

³ Fringe Benefit costs increased by \$3.7 million. A significant portion is related to the amendment to the Public Service Pension Plan effective January 1, 2015.

Services (PETS) department to support a growing capital program. Offsetting the increase in home based FTEs was a decrease in labour recharge of eight FTEs.

2010:

From 2009 to 2010 there was an increase of eight home based FTEs. Four (4) positions were transferred from Human Resources and Organizational Effectiveness to Nalcor. Offsetting this change was an increase in temporary FTEs in PETS to support the Asset Management Strategy and an increased capital program. In addition, the recruitment of apprentices and a change in Regulated Operations to support succession planning, emergency response requirement and TRO reorganization impacted FTEs. Additionally there was an increase in labour recharge of three FTEs.

2011:

From 2010 to 2011 there was a decrease of seven home based FTEs. Twelve (12) positions were transferred to Nalcor from PETS and Finance continuing the effort to align resources to support sharing of services through the matrix structure. This was offset by the restructuring of Transmission and Rural Operations resulting in an increase of five FTEs. Offsetting the decrease in home based FTEs was an increase in labour recharge of two FTEs.

2012:

From 2011 to 2012 there was a decrease of 13 home based FTEs. The change was primarily attributed to PETS, as seven positions were transferred to Nalcor and the temporary workforce was reduced by 17 FTEs. This was offset by the creation of 12 new positions. Offsetting the decrease in home based FTEs was an increase in labour recharge of 1.5 FTEs.

1 **2013:**

2 In 2014, there was an increase of two home based FTEs for regulated Hydro.
3 Additionally, there was an increase in labour recharge of one FTE.

4
5 **2014:**

6 Home based FTEs are forecasted to increase by 52 in 2014 primarily related to the
7 increase in the capital program as well as an increase of FTEs in Hydro's Finance
8 Division, which was reorganized in 2014. The reorganization included the transfer
9 of positions from Nalcor as well as the addition of several new positions. Also
10 included in the 2014 Forecast is an increase of ten apprentice positions for which
11 Hydro is to receive a partial subsidy from the provincial government for the fiscal
12 years 2013-2014, therefore reducing the cost incurred. Offsetting the projected
13 increase in home based FTEs is an anticipated decrease in labour recharge of two
14 FTEs.

15
16 **2015:**

17 Home based FTEs are forecasted to increase by 37 in 2015 primarily in relation to
18 the increase in the capital program, as well as an increase of six FTEs in Hydro's
19 Finance Department. The increase of Finance FTEs is primarily related to the
20 addition of FTEs in mid 2014 (as part of the restructuring) which have been
21 budgeted for the full year in 2015. Labour recharge is projected to decrease by
22 three FTEs in 2015.

23
24 **2016 Forecast**

25 Home based and net FTEs were forecast to remain consistent in 2016 with a drop of
26 three FTEs. The primary reason for the increase in costs forecasted at that time is
27 salary adjustments.

1 **2016 Budget**

2 A letter provided to the Board of Commissioners of Public Utilities dated December
3 8, 2015, states that the 2016 Budget has been limited to expenditures forecast in
4 the 2015 Test Year. As an initial assumption in preparing the 2016 Budget, Hydro
5 has assumed that it will offset inflationary and other increases by delayed hiring.

6
7 Hydro will continue to assess its 2016 work plans to identify efficiencies and cost
8 savings.