1 Q. **2013 General Rate Application, Intercompany Transaction Costing Guidelines –**

2   **Exhibit 8**

3   Page 5, line 23 - Have the Bill Rates changed in the period 2007 to 2012? If yes,

4   explain the changes in detail.

5

6

7 A. Yes, Bill Rates have changed in the period 2007 to 2012. The Bill Rate is calculated

8   based on two components—a salary cost component and fully loaded cost

9   component. A change in either will affect the Bill Rate.

10

11   The salary cost component is calculated on the basis of pay scale. As such, the Bill

12   Rate has changed in keeping with annual pay scale and collective agreement wage

13   adjustments.

14

15   Hydro changed its fully loaded cost percentage from 42%to 57%[1] effective October

16   1, 2009, as well as how it clustered its positions into pay groupings. Both had

17   impacts on the Bill Rate.

18

19   On January 1, 2010, there was a change in the methodology used to derive the

20   salary component of the Bill Rate. The salary component of Bill Rate would now be

21   set using the job rate (100% of the salary or pay scale) for each specific pay group

22   instead of an average of clustered pay groups. In addition, the available hours to

23   work (i.e., billable hours) were used in the calculation of billing rate instead of

24   standard hours. PUB-NLH-222 provides an explanation on how billing rates are

25   calculated.

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[1] The new percentage was based on a review of Hydro's three-year average labour cost and is more reflective of costs incurred.

1   Table 1 summarizes the dates and changes affecting the Bill Rate from 2007 to

2   2012.

3

4   **Table 1**

5   **Changes in Bill Rate from 2007 to 2012**

Date	Description
April 1, 2007	Pay scale adjustment
October 1, 2009	Change in fully loaded cost percentage and how pay groups were clustered
January 1, 2010	Change in methodology for deriving salary component and change in bill rate calculation (using billable hours).
April 1, 2010	Pay scale adjustment
November 1, 2010	Pay scale adjustment
April 1, 2011	Pay scale adjustment
April 1, 2012	Pay scale adjustment