

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 2013 and
8 2014, as well as the assumptions used to forecast vacancies.

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10 Since 2007, Hydro's home based¹ FTEs have ranged from 862 to 864. Factoring in
11 the charges to and charges out² of regulated operations to other lines of business
12 (LOBs), the net FTE ranged from 797 to 818. FTEs are budgeted to support the
13 operational and capital requirements as well as to incorporate the provision for
14 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.

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

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

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

23

24 The tightening labour market and associated difficulty in recruiting trades and
25 technology positions, particularly in rural areas, has impacted the vacancy rate in
26 recent years. Additionally, there is a domino effect when filling some positions

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.

1 internally related to the lag time from date of vacancy to actual date of hire.

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3 The 2013 FTEs and internal labour expense were calculated using the 2012 year end

4 FTEs and labour expense as the starting point. The 2012 budgeted FTE was 857⁶ and

5 the associated budget was \$63.7 million. The actual FTE was 811 and the associated

6 labour expense was \$59.5 million (base salaries⁷). This actual expense included the

7 impact of all vacancies in 2012.

8

9 In 2012, there were 34 retirements, 11 voluntary resignations, and three employees

10 commenced a leave of absence. Hydro conducted 110 job competitions and had a

11 provision for 27 vacancies in the 2012 budget. The actual vacancy was 52 FTEs.

12 Through the recruitment and retention initiatives, the company anticipates

13 reducing vacancies into the future. Therefore, the vacancy forecast was increased

14 from 27 FTEs for 2012 to 40 FTEs for 2013.

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16 Based on capital and operational requirements for 2013 as well as expected salary

17 adjustments, the 2013 labour forecast was 864 FTEs⁸ with an anticipated labour

18 expense at \$67.2 million. The salary increase forecast is inclusive of a 4% economic

19 adjustment and additional adjustments for step progressions and merit

20 adjustments. The vacancy allowance was forecasted at \$3.175 million for the

21 equivalent of 40 FTEs. The company increased its vacancy forecast to 40 FTEs in

22 consideration of the vacancy experience over the past six years (average of 31 per

23 year), the increasing vacancy trend over the past two years, as well as an increase in

24 projected 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.

1 As of September 1, 2013, there were 25 retirements, three voluntary resignations,
2 and 11 employees on a leave of absence. Hydro anticipates additional retirements
3 before year end due to the high number of employees within reach of an
4 unreduced pension (75 employees are currently eligible for unreduced retirement
5 benefits⁹). As indicated, Hydro forecasted 40 vacancies for 2013 but its experience,
6 as of September 1, is trending closer to 50. Hydro's intention is to reduce the
7 number prior to year end. This will depend on the success of job competitions¹⁰
8 and unanticipated vacancies that may occur through retirement or voluntary
9 resignations.

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11 The labour forecast and vacancy assumption for 2014 will be consistent with the
12 2013 forecast, with the labour expense adjusted for cost of living of 3%.

⁹ Historical data shows that on average those who delay retirement do so by approximately three years. Retirements have averaged 31 per year since 2007.

¹⁰ From January to October 2013, Hydro had 101 job competitions.