

1 Q. **Reference: Finance Evidence**

2 Please provide details of the costs incurred by Hydro to (i) expand its engineering and
3 operations workforce and (ii) implement a retention and recruitment initiative for each
4 year from 2008 to 2013. (Finance Evidence, page 3.14, lines 7 to 10)

| Costs Incurred for Workforce Expansion and Retention and Recruitment (\$000s) | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|--------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F |
| Expand Engineering and Operations Workforce | | | | | | |
| Retention and Recruitment Initiative | | | | | | |

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7 A. ***Expansion of Engineering and Operations Workforce***

8 Using 2007 as a base reference, the cumulative net increase in the cost of salaries and
9 benefits associated with the growth in Hydro's Engineering and Operations workforce
10 over the six-year period 2008 to 2013 is estimated to be \$2.4 million (see Table 1, Page
11 2). This represents an annual average incremental cost of \$0.4 million. This estimate is
12 normalized to exclude the impact of annual salary escalation related to general cost of
13 living adjustments as well as the cost of salary scale progressions.

14

15 This workforce growth was related almost exclusively to engineering staff growth in the
16 Company's Project Execution and Technical Services Division, driven by a significantly
17 expanding capital construction program within Hydro. When charge-outs to capital are
18 taken into account, the \$2.4 million referred to above is fully offset.

Table 1

| Costs Incurred for Workforce Expansion and Retention and Recruitment (\$000s) | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|----------------|--------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013(F) | Total |
| Expand Engineering and Operations Workforce ¹ | 143 | 1,594 | 1,724 | (682) | (839) | 501 | 2,441 |
| Retention and Recruitment Initiatives ² | 829 | 837 | 1,822 | 2,078 | 2,227 | 2,160 | 9,952 |

1 ***Retention and Recruitment Initiative***

2 Hydro's approach to recruitment and retention has been a strategic and multi-faceted
3 one, and a broad range of actions have been taken to ensure that the Company is able
4 to attract and retain the people it requires. Some of these actions have been financial in
5 nature, while others have involved low or no cost to the Company, but have nonetheless
6 been important to ensuring that Hydro is able to provide a workplace environment that
7 will attract and retain high quality employees. A brief description of the key elements of
8 Hydro's recruitment and retention strategy is provided below as background to the cost
9 summary that follows.

10

11 **Special Market Adjustments - Wages and Salaries**

12 The various market adjustments made to wages and salaries over the period 2007 to
13 2013, and the reasons these actions were taken, are outlined on Pages 2.16 to 2.19 in
14 the Company's General Rate Application (Volume 1).

15

16 **Supervisory Differential**

17 See Page 2.17, lines 11-13 and Page 2.18, lines 1-5 of GRA Application (Volume 1).

¹ Costs include base salary and benefit increases attributed to the change in FTEs. Benefit costs include fringe benefits, group insurance, and employee future benefits.

² Cost since inception associated with Engineering and Operations. Full retention and recruitment costs relating to all of Hydro can be found in the response to PUB-NLH-151.

1 **Pay for Performance**

2 Hydro implemented two changes to strengthen the link between pay and performance
3 for non-union staff and senior leaders in the Company. For employees at the 100% job
4 rate for their position (salary scale maximum) who were rated as either "Exceed
5 Expectations" or "Exceptional" during the annual performance review process, the
6 Company implemented a cash payment to reflect and reward that performance in the
7 past year (4% for "Exceed Expectations" and 7% for "Exceptional", respectively). Outside
8 the performance review process, the Company also adjusted the annual "target" pay-
9 out under the Company's performance contract (short-term incentive) program from 6%
10 to either 10% or 15% for eligible senior managers in the Company, depending on pay
11 level.

12

13 **Employee Recognition**

14 Hydro established two corporate employee recognition programs in 2008. Both the On-
15 The-Spot and President's Awards programs are based on peer recognition and are
16 designed to acknowledge employees who model excellence in relation to the Company's
17 core values and corporate goals, respectively.

18

19 **Employee Wellness**

20 In 2009, Nalcor increased its focus on employee wellness. A strong focus on wellness
21 education and promotion is complemented by a budget for wellness incentives that
22 matches employee costs (up to a limit) for health memberships and similar wellness-
23 related expenses.

24

25 **Workplace Diversity and Inclusion**

26 In 2011, Nalcor adopted a strategy and multi-year action plan in the area of workplace
27 diversity and inclusion. Hydro believes that diversity of backgrounds, ideas and
28 experiences not only contributes to an innovative, high performance work environment,

1 but that the inclusive and respectful workplace it helps sustain is important to its ability
2 to recruit and retain highly motivated employees.

3

4 **Recruitment and Retention in Rural Areas**

5 In 2011, Hydro and Newfoundland Power submitted a joint funding proposal to the
6 provincial government to support a three-year program targeted around recruitment
7 and retention in rural areas of the province and promoting career awareness within the
8 electricity industry generally. Funding was approved in mid-2013.