

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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7 **A.** Table 1 shows the change in salaries and benefits that can be attributed to the
8 change in the FTEs, changes in salaries and benefits as well as charges that result
9 from the recharge of labour to and from Hydro. A number of positions transferred
10 from regulated Hydro to Nalcor to more closely reflect organizational changes¹ and
11 sharing of services. Costs incurred are charged in accordance with the Guidelines
12 for Intercompany Transactions, as provided in Exhibit 8 and result in labour
13 recharges.

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)								
Change Reason	2008	2009	2010	2011	2012	2013F	2014F	2015F
(Decrease) Increase attributed to the change in the number of employees	(2,836)	1,498	765	(1,150)	(1,046)	1,924	1,404	-
Increase attributed to the change in salaries and benefits ²	2,716	2,951	2,748	3,298	3,439	2,629	3,159	2,387
Increase (Decrease) in Labour Recharge	1,642	(778)	246	465	204	569	(333)	21
Total Increase	1,522	3,670	3,759	2,612	2,597	5,121	4,230	2,408

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 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

² Details on 2008-2012 annual economic adjustments are outlined in PUB-NLH-028. For 2013, the economic adjustment was 4% and the forecast estimate for 2014 and 2015 is 3% annually.

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.

2013:

There is a projected increase of 13 FTEs for regulated Hydro. This is primarily attributed to an increase in labour requirements associated with an increased capital program, to ensure a skilled and capable workforce that will accommodate Hydro's anticipated workforce attrition. Additionally there was an increase in labour recharge of three FTEs.

2014:

FTEs are forecasted to increase by 21 in 2014 primarily related to the increase in the capital program. Included in the increase are ten apprentice positions for which Hydro has received a \$500,000 subsidy from the provincial government for the fiscal years 2013-2014, therefore reducing the cost incurred. Offsetting the projected increase in home based FTEs is an anticipated decrease in labour recharge of two FTEs.

2015:

The 2015 forecast assumes no FTE change.