

1    Q.    **2013 General Rate Application, Intercompany Transaction Costing Guidelines –**  
2           **Exhibit 8**

3           Page 5, lines 20-21 - Confirm whether Bill Rate categories or pay scales were used  
4           for 2007 to 2012, or whether an Operating Bill Rate was calculated for each  
5           individual employee. What differences, if any, are budgeted for 2013 to 2015?  
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8    A.    Pay scales are used to calculate the salary component of the Bill Rate as opposed to  
9           an individual's hourly rate. However, there is a small difference in how the pay  
10          scales, which are used to calculate the salary component of the Bill Rate, are  
11          determined for non-union versus union employees. For non-union employees, the  
12          pay scales are based on the job rate (100%) of the applicable salary grade. In this  
13          manner, the confidentiality of an employee's placement within the salary scale is  
14          protected. Union pay scales are reflective of the "fixed rates" as stated in the  
15          collective agreement and are the same as the individual's rate of pay.

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17          The salary component is expected to change in line with annual pay scale  
18          adjustments and collective agreement wage increases. Hydro will continue to  
19          review its labour costs to ensure the billing rate is reflective of costs incurred and  
20          supportive of the principle of cost based recovery. There is no change currently  
21          anticipated in the fully loaded cost component of 57% for 2013 and beyond.