Labour Forecast
2012-2014

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NEWFOUNDLAND POWER
A FORTIS COMPANY

Table of Contents

Page

1.0. BACKGROUND

This report contains detailed information concerning the method used by Newfoundland Power to forecast its test year FTEs and labour expense. In addition, it explains the assumptions used to determine forecast vacancies.[1]

Newfoundland Power's current labour requirements will tend to be consistent from year to year.[2] In managing its workforce, the Company matches overall capacity and capability with anticipated work requirements.

The method used to forecast labour requirements and FTEs for a test year reflects this basic workforce management philosophy.

2.0 FORECASTING WORKFORCE REQUIREMENTS

Forecasting the Work
The starting point in forecasting Newfoundland Power's annual labour requirements is the Company's annual capital and operational work requirements.[3]

Annual capital work requirements are principally based on specific expenditures required to replace deteriorated, defective or obsolete equipment, and to serve forecast customer and sales growth[4].

Annual operating work requirements are principally focused on the maintenance and operation of the electrical system, response to customer inquiries, and commercial functions such as meter reading and billing.[5] These requirements tend to be stable over time. For this reason, historical expenditure, adjusted for changes in operating requirements, is the foundation for forecasting annual operating work requirements.

Workforce Options
Having determined the annual work requirements, the Company considers the amount of internal labour available to meet these requirements.

The Company's annual work requirements are met using a combination of regular employees, temporary employees and contractors. This approach permits Newfoundland Power to maintain

1 In Order No. P. U. 32 (2007), the Board directed Newfoundland Power to include this information as part of its next general rate application.
2 For the period from 2010 through 2014F, Newfoundland Power's workforce is forecast to increase by 2.5% or 16 FTEs.
3 In addition to capital and operating requirements, there are labour requirements for rechargeable and recoverable items. These include labour associated with material handling (i.e., stores) and vehicle service centre labour costs, which are recharged as overheads on operating and capital work. It also includes customer jobbing, third party provisioning services and inter-affiliate labour charges.
4 These requirements are approved by the Board on a prospective basis each year through the Company's capital budget applications.
5 Annual operating work requirements also include general support functions, such as information services, human resources and finance.

a highly skilled core workforce and maintain reasonable flexibility to respond to variations in work requirements on a least cost basis.

Annual capital work requirements tend to be met by a combination of the Company's internal workforce and contractors. This is partly attributable to the variable nature of these work requirements.[6] It is also consistent with the deployment of the Company's internal workforce. [7]

Annual operating work requirements tend to be met by the Company's internal workforce.[8] This is partly attributable to stability of these work requirements on a year over year basis. It is also partly attributable to the specialized nature of these work requirements.[9]

Vacancy Assumptions
In determining the internal workforce available to execute the annual capital and operating work requirements, the Company assesses its internal workforce on a full-time equivalent (FTE) basis.[10]

The actual FTEs for the most recently completed year reflect the impact of all vacancies in that year. In other words, the FTEs for the most recently completed year include only the actual paid hours *worked in that year*. For this reason, the FTEs for the most recently completed year are the basis Newfoundland Power uses for forecasting FTEs.

In forecasting FTEs, Newfoundland Power will make adjustments for future years. This is done to better predict availability of the internal workforce to meet work requirements. This, in turn, permits the Company to assess its workforce options. [11]

The typical adjustments to an FTE forecast include anticipated retirements, leaves of absence[12],

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6 The specific requirements of annual capital work have different labour requirements depending on the projects involved. For example, penstock construction requires riggers and welders. However, electrical system operations have no ongoing requirement for those skilled trades. Accordingly, such work would be performed by contractors.

7 Deployment of Powerline Technicians is an example of this. Powerline Technicians perform a mixture of operating and capital maintenance. In winter, Newfoundland Power's service obligations practically require it to have Powerline Technicians deployed across its service territory in sufficient numbers to respond to seasonal electrical system trouble. In the construction season, Powerline Technicians can be deployed to construction sites across the province as necessary.

8 Approximately 10% of Newfoundland Power's internal workforce is temporary labour. Use of temporary labour provides operating flexibility.

9 Specialized knowledge of electrical system operations is required for a great deal of operational work and is a core competency of Newfoundland Power's workforce. This specialized knowledge is typically not required to perform much of the capital work requirements of the Company.

10 Newfoundland Power calculates FTEs based on employee hours worked divided by total working hours in a year. For approximately 50% of the workforce, the total working hours in a year are 2,080. For the remainder, the total working hours in a year are 1,950. The FTE calculation reflects only hours worked and permits a better matching of work requirements to available workforce options than forecasting positions and applying a vacancy allowance.

11 From a practical perspective, forecast FTEs will become the basis for the Company's determination of hiring requirements and contract labour requirements.

12 Leaves of absence include maternity leave, absences due to long-term disability or workplace injury, education leave and other leaves of absence approved by the Company.

terminations and new hires. These adjustments reflect the timing and salary impacts of workforce changes. For example, in the case of retirements, differences in salary, and timing gaps or overlaps among employees entering and leaving the workforce, can be incorporated into the adjustments.[13] A similar approach is used for employees commencing leaves of absence and those returning from leave.

These adjustments are fully reflected in both forecast FTEs and labour costs. The forecast FTEs are a tool to assess the *internal* workforce available to meet overall work requirements. The forecast labour costs reflect salary and timing differences associated with changes in the internal workforce.

Newfoundland Power's assessment of its internal workforce is undertaken in the context of its total forecast labour requirements. These total labour requirements are a function of forecast capital and operating work requirements.[14]

Reconciling Work and Labour
Newfoundland Power's total forecast labour requirements for 2012 are approximately $69.4 million. For the 2013 and 2014 test year, the total forecast labour requirements are $71.5 million and $74.0 million respectively. These requirements reflect forecast capital and operational work requirements for each year.

The Company's forecast internal labour expense for 2012 is $56.4 million. For 2013 and 2014, forecast internal labour expense is $58.8 million and $61.1 million respectively. The difference between the total forecast labour requirement and the Company's internal labour available will be addressed using contract labour.

3.0 2012 to 2014 LABOUR FORECASTS

2012 FTEs and Internal Labour Expense
The 2012 FTEs and internal labour expense were calculated using the 2011 year end FTEs and labour expense as the starting point. In 2011, the year-end FTEs, based on the *actual hours worked*, was 640.1. The associated internal labour expense was $53.6 million.

To account for the impact of inflation in developing the 2012 forecast, the 2011 internal labour expense is adjusted to reflect salary increases applicable to the current year.

Further adjustments are then made to the FTE forecast to reflect factors that are expected to influence internal labour in the current year. For example, the 2012 forecast reflects 30 projected retirements, with 25 of these employees to be replaced, plus 35 regular new hires. The new hires

[13] The time period between employees entering and leaving the workforce can be either negative or positive. For example if a replacement employee arrives before a senior employee retires to avail of a training opportunity, then this will increase the FTE count and labour expense. However, if there is a period of time a position remains vacant awaiting a replacement employee to enter the workforce, then this will decrease the FTE count and labour expense.

[14] The loss of an employee in any year will typically result in the work being performed by temporary labour or a contractor. It is unusual that either capital or operating work would not be performed in any given year due to the loss of an employee.

will meet Newfoundland Power's management of the ongoing demographic transition in its workforce. In addition, the 2012 FTEs and internal labour expense are increased to reflect new employees who worked a partial year in 2011, but are anticipated to be in the workforce for a full year in 2012 offset by employees who left in 2011.

Schedule A presents the detailed breakdown of forecast internal labour expense and FTEs for 2012.

2013 FTEs and Internal Labour Expense
The 2013 FTEs and internal labour expense were calculated using the 2012 forecast as the starting point. To account for the impact of inflation, the 2012 internal labour expense is adjusted to reflect salary increases applicable to 2013.

The test year labour forecast reflects 19 projected retirements, with 15 of these employees to be replaced, plus 14 new hires. The new hires will meet increased requirements for Powerline Technician Apprentices and additional resources for expansion of customer energy conservation programming. In addition, the 2013 FTEs and internal labour expense has increased for new employees working a partial year in 2012 who are anticipated to be in the workforce for a full year in 2013 offset by employees who left in 2012.

Schedule B presents the detailed breakdown of forecast internal labour expense and FTEs for 2013.

2014FTEs and Internal Labour Expense
The 2014 FTEs and internal labour expense were calculated using the 2013 forecast as the starting point. To account for the impact of inflation, the 2014 internal labour expense is adjusted to reflect salary increases applicable to 2013.

The test year labour forecast reflects additional resources for the continued expansion of customer energy conservation programming resulting in an additional 3.0 FTEs and approximately $315,000 labour expense. The 2014 forecasted operating internal labour expense is $33.5 million, which does not include the additional customer energy conservation resources. The FTE forecast for 2014 is 656.8 FTEs.

Schedule A
2012 Internal Labour Forecast

	Labour Expense ($000s)	FTEs	Notes
2011 Workforce			
Operating	30,696		1
Capital	18,876		
Rechargeable & Recoverable	4,049		
Total	**53,621**	**640.1**	2
2012 Salary Increase	1,989		3
Extra Day in 2012	206		4
Adjustments for 2012			
2012 Retirements			
Employee Retirement[15]	(1,436)	(17.7)	5
Retirement Replacement	1,299	12.8	6
2012 Leaves of Absence			
Employees Taking Leaves	(1,079)	(11.5)	7
Employees Returning from Leaves	451	5.3	8
Terminations[16]	(523)	(5.2)	9
New Hires	1,396	17.6	10
Partial Year Adjustments[17]	514	9.7	11
2012 Adjusted Workforce	**56,438**	**651.1**	12
2012 Forecast Workforce			
Operating	31,088		13
Capital	20,968		
Rechargeable & Recoverable	4,382		
Total	**56,438**		14

[15] Retirement estimates are based upon employees reaching age 65, or have reached age 60 with the combination of 95 years of age plus service, or have expressed interest in retiring prior to reaching this milestone.

[16] Terminations include both voluntary and non-voluntary termination of employment with the Company.

[17] Partial year adjustments include FTE and labour adjustments necessary to account for employees who started or resumed their employment in 2011. These employees would not have accounted for full annual salaries in the 2011 labour expense, nor would they have accounted for full FTEs in 2011. These adjustments also include employees who left the company in 2011. These employees do not account for full annual salaries in the 2012 labour expense, nor would they account for full FTEs in 2012.

Notes for Schedule A

No.	Description
1	The actual year end operating labour cost for 2011. It includes the impact of all retirements, leaves of absence, terminations and new hires experienced in 2011.
2	The 2011 actual year end FTEs count is reflective of the 2011work requirement. It reflects the impacts, including timing impacts, of all retirements, leaves of absence, terminations and new hires of regular and temporary employees experienced in 2011. Total labour expense includes overhead loading for vehicle expenses.
3	The 2012 salary increase is based upon a weighted average salary increase of 3.71%.
4	In 2012, there are 261 working days versus 260 working days in 2011 resulting in a labour increase of $206,000.
5	In 2012, there are 30 employees who are expected to retire. The 2012 labour reduction for retirement is $1, 436,000. Due to the timing of the estimated retirements, the 2012 reduction in FTEs is 17.7.
6	25 of the 30 retiring employees will be replaced in 2012. A combination of lower salary and the timing of replacement hires, results in $1,299.000 labour cost and 12.8 FTE increase for 2012.
7	In 2012, the Company forecasts 25 leaves of absence, consisting of 3 maternity leaves, 19 long-term disability absences, 1 personal leave of absence and 2 injured workers on workplace compensation. The 2012 labour reduction for leaves is $1,079,000, with a corresponding FTE reduction of 11.5.
8	In 2012, the Company forecasts 17 employees returning from various forms of leave. These include 1 employee on maternity leave, 10 on long-term disability, 1 personal leave of absence and 5 on workplace compensation. The 2012 labour increase for leaves is $451,000, with a corresponding FTE increase of 5.3.
9	In 2012, the Company forecasts 7 employees terminating their employment. This includes 1 deceased employee. The 2012 labour reduction for terminations is $523,000 with a corresponding FTE reduction of 5.2.
10	In 2012, the Company forecasts 35 regular new hires. The 2012 labour increase for new hires is $1,396,000, with a corresponding FTE increase of 17.6.
11	The 2012 labour increase for partial year adjustments is $514,000, with a corresponding FTE increase of 9.7.
12	The 2012 forecast FTE count.
13	The 2012 forecast operating labour cost.
14	Total labour expense includes overhead loading for vehicle expenses.

Schedule B
2013 Internal Labour Forecast

	Labour Expense ($000s)	FTEs	Notes
2012 Forecast Workforce			
Operating	31,088		1
Capital	20,968		
Rechargeable & Recoverable	4,382		
Total	**56,438**	**651.1**	2
2013 Salary Increase	**2,308**		3
Adjustments for 2013			
2013 Retirements			
Employee Retirement[18]	(995)	(10.2)	4
Retirement Replacement	782	8.2	5
2013 Leaves of Absence			
Employees Taking Leaves	(337)	(3.4)	6
Employees Returning from Leaves	231	1.9	7
Terminations[19]	(205)	(2.0)	8
New Hires	541	6.7	9
Partial Year Adjustments[20]	1	1.5	10
2013 Adjusted Workforce	**58,764**	**653.8**	11
2013 Forecast Workforce			
Operating	32,156		12
Capital	22,724		
Rechargeable & Recoverable	3,884		
Total	**58,764**		13

[18] Retirement estimates are based upon employees reaching age 65, or have reached age 60 with the combination of 95 years of age plus service.

[19] Terminations include both voluntary and non-voluntary termination of employment with the Company.

[20] Partial year adjustments include FTE and labour adjustments necessary to account for employees who started or resumed their employment in 2012. These employees would not have accounted for full annual salaries in the 2012 labour expense, nor would they have accounted for full FTEs in 2012. These adjustments also include employees who left the company in 2012. These employees do not account for full annual salaries in the 2013 labour expense, nor would they account for full FTEs in 2013.

Notes for Schedule B

No.	Description
1	The forecast operating labour cost for 2012. It includes the impact of all retirements, leaves of absence, terminations and new hires anticipated for 2012, and reflected in the adjustments set out in Schedule A.
2	The 2012 forecast FTEs are reflective of the forecast 2012 work requirement. It reflects the detailed impact, including timing, of all retirements, leaves of absence, terminations and new hires of regular and temporary employees anticipated in 2012, and reflected in Schedule A. Total labour expense includes overhead loading for vehicle expenses.
3	The 2013 salary increase is based upon a weighted average salary increase of 4.09%.
4	In 2013, there are 19 employees expected to retire. The 2013 labour reduction for retirement is $994,600. The 2013 reduction in FTEs of 10.2 reflects the timing of the forecast retirements.
5	15 of the retiring employees will be replaced in 2013. A combination of lower salary and the timing of replacement hires, results in $781,800 labour cost and an 8.2 FTE increase for 2013.
6	In 2013, the Company forecasts 5 employees taking leaves of absence based upon recent experience. The 2013 labour reduction for leaves is $337,000 with a corresponding FTE reduction of 3.4.
7	In 2013, the Company forecasts 5 employees returning from various forms of leave. These include 1 employee on maternity leave, 3 on long-term disability and 1 on workplace compensation. The 2013 labour increase for leaves is $231,200, with a corresponding FTE increase of 1.9.
8	In 2013, the Company forecasts 4 employees terminating their employment based upon recent experience. The 2013 labour reduction for terminations is $205,000, and a corresponding FTE reduction of 2.0.
9	In 2013, the Company forecasts 3 new hires related to customer energy conservation and human resource management, 7 PLT Apprentices and 4 replacement positions. These new hires do not include replacement employees associated with retirements. The 2013labour increase for new hires is $541,000, with a corresponding FTE increase of 6.7.
10	The 2013 labour increase for partial year adjustments is an increase of $1,000, with a corresponding FTE increase of 1.5.
11	The 2013 forecast FTE count.
12	The 2013 forecast operating labour cost.
13	Total labour expense includes overhead loading for vehicle expenses.