**Q. Footnote 13 of p. 3 of the Labour Forecast states that, "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 and labour expense."**

**a. What overlap was experienced in 2010, 2011 and 2012 (f) and what amount of overlap (i.e. replacement employee arriving before a senior employee retires) is assumed to exist in 2013 and 2014 and what is the basis for this assumption?**

**b. What vacancy was experienced in 2010, 2011 and 2012 (f) and what level is assumed to exist in 2013 and 2014 and what is the basis for the assumption?**

A. a. Newfoundland Power manages its overall workforce capacity and capability to effectively match work requirements. The Company's annual capital and operational work requirements tend to be relatively consistent from year to year. These work requirements are met using a combination of regular employees, temporary employees and contractors.

In *Volume 2, Exhibits and Supporting Materials, Tab 2, Labour Forecast 2012 – 2014*, the Company describes its approach to forecasting workforce size, in terms of full-time equivalents ("FTEs"), and labour expense. The Company's annual FTEs and labour expense reflect the labour necessary to complete work requirements in each year.

The annual FTEs and labour expense in 2010 and 2011 and forecast for 2012 include the impact of any employees entering or leaving the workforce during those years. While the Company does not track and aggregate these positive and negative impacts on FTEs and labour expense, they are fully reflected in both FTEs and labour costs.

Newfoundland Power's forecast FTEs and labour expense in 2013 and 2014 are based on work requirements in 2012, adjusted principally for inflation, productivity and the increased demand for customer energy conservation programming. The impact of employee turnover is embedded in these forecasts. Accordingly, it would not be appropriate to assume an overlap in 2013 and 2014.

b. Because Newfoundland Power manages its workforce by matching resources to work requirements, it does not assume vacancies in its labour planning. While workforce forecasts will reflect a level of vacancies consistent with the prior year, variations in the actual level of vacancies will not materially impact actual costs, as the variation typically is reflected in either higher or lower temporary and contract labour costs.