

Q. Operating Costs by Breakdown: 2010 to 2014F - Exhibit 2

Disregarding the “Temporary” and “Overtime” portions of Total Labour, Regular and Standby increase from \$26,568,000.00 in 2010 Actual to \$31,023,000.00 in labour costs in 2014F. Please outline, showing breakdown, the reasons for this increase.

A. From 2010 to 2014F, the Company’s regular and standby labour costs are forecast to increase by approximately \$4.5 million. This forecast increase primarily reflects the following four changes.

- (i) Inflationary increases of 4% annually, totalling approximately \$4.8 million, offset by productivity gains of 1% annually, totalling approximately \$1.1 million.
- (ii) Expansion of customer energy conservation programs, resulting in an increase in regular and standby labour costs of approximately \$0.5 million.
- (iii) Change in employment status of 23 Apprentice Power Line Technicians from temporary to regular in 2012, resulting in a decrease in temporary labour costs and an increase in regular and standby labour costs of approximately \$0.7 million.
- (iv) Use of temporary employees in positions such as Meter Reader and Customer Account Representative, resulting in an increase in temporary labour costs and a decrease in regular and standby labour costs of approximately \$0.4 million.