

Q. 2013-2014 General Rate Application, Company Evidence

Pg. 2-9, Footnote 14 - It is stated that composite labour rate increases of 4.95% in 2011, 3.71% in 2012, 4.09% in 2013 and 4.06% in 2014 were used in determining actual and forecast labour cost. Please provide the support/justification for these increases including details on average salary increases given and forecast over the same period by companies in Newfoundland and Atlantic Canada and by Canadian electrical utilities.

A. A. Introductory:

Salary increases given and forecast by Newfoundland Power are influenced by a number of factors.

Newfoundland Power is a reasonably technically complex business. The pay levels at Newfoundland Power must be competitive with alternative job offerings in the technical sector. Newfoundland Power is undergoing a demographic transition in its workforce. It is hiring more employees now and in the near future than it has in the recent past. This reinforces the need for Newfoundland Power to offer competitive salaries.

Over half of Newfoundland Power's workforce is represented by the International Brotherhood of Electrical Workers. Collective bargaining is a market-driven means by which sophisticated parties determine competitive pay levels.

The salaries currently paid, and proposed to be paid, by Newfoundland Power to its employees are consistent with the reliable, least-cost delivery of electrical service to customers.

B. Newfoundland and Labrador Labour Market:

The Newfoundland and Labrador labour market is one of the most robust in Canada, particularly for technical and skilled trades. Major project developments are the key drivers of the market. This market is the primary market in which Newfoundland Power competes for human resources.

According to the Conference Board of Canada, in the 5 years ending in 2012, the average weekly wages in the province of Newfoundland and Labrador grew by just over 5% per year.¹ This level of labour market inflation is consistent with Statistics Canada data on construction wages, which indicates that construction wages increased by over 5% per year to the 5 years ending in 2011.²

¹ By comparison, the average Canadian increase in average weekly wages was approximately 2.6% in the same period. See Conference Board of Canada, Average Weekly Wages & Salaries, Industrial Composite, February 02, 2012.

² The construction wage increase in St. John's from 2007 through 2011 was 25.7%, compared to a national average of 15.4%. See Statistics Canada, CANSIM., Table 327-0045, Catalogue no 62-007-X.

C. Technical and Skilled Trades:

Technical and skilled trades are core components of Newfoundland Power's workforce. Power Line Technicians and Technologists are the two most common job qualifications in the Company, representing approximately 50% of the total workforce.

Power Line Technicians

Newfoundland Power has over 150 active Power Line Technicians ("PLTs") in its workforce. Table 1 shows the hourly rate for a fully qualified PLT at Newfoundland Power from 2008 through 2012.³

Table 1
Newfoundland Power
PLT Hourly Rate
(\$)

2008	2009	2010	2011	2012
29.93	30.63	32.16	35.10	35.10

Between 2008 and 2012, the hourly rate of a fully qualified PLT increased by \$5.17, or 4.3% averaged annually.

Table 2 shows the hourly rate for Atlantic Canadian utilities for fully qualified PLTs.

Table 2
Atlantic Canadian Utilities
PLT Hourly Rate
(\$)

	2008	2009	2010	2011	2012
Newfoundland and Labrador Hydro	27.59	28.94	32.30	33.59	34.94
Nova Scotia Power	29.79	30.83	33.06	34.38	35.29
Maritime Electric	28.28	29.13	30.36	31.27	33.06
New Brunswick Power	29.90	30.80	32.06	34.38	35.76

Between 2008 and 2012, the hourly rate of a fully qualified PLT increased by \$7.35 (or 6.7%), \$5.86 (or 4.9%), and \$5.50 (or 4.6%) for Newfoundland and Labrador Hydro

³ All hourly wage rates included in this response to Request for Information PUB-NP-006 are wage rates in effect on December 31st of the year.

(“Hydro”), New Brunswick Power and Nova Scotia Power, respectively.⁴ These increases all exceeded the pay increases paid by Newfoundland Power to its PLTs over this period in both dollar and percentage terms.⁵

Technologists

Newfoundland Power has over 60 active Technologists in its workforce. Table 3 shows the average hourly rate for a fully qualified Technologist at Newfoundland Power from 2008 through 2012.⁶

Table 3
Newfoundland Power
Technologist Average Hourly Rate
(\$)

2008	2009	2010	2011	2012
32.83	33.54	34.59	36.36	37.88

Between 2008 and 2012, the average hourly rate of a fully qualified Technologist increased by \$5.05, or 3.8% annually. Over the same period, the average hourly rate of a fully qualified Technologist at Hydro increased by \$8.01, or 6.6% annually.⁷

Engineers

Newfoundland Power has approximately 35 active Engineers in its workforce. Table 4 compares the average salary of a Newfoundland Power Engineer (excluding those in senior management positions) with the average salary for Engineers employed by utilities in Newfoundland and Labrador for 2009 and 2012.⁸

⁴ Percentage increases included in this response to Request For Information PUB-NP-006 are stated as annual averages.

⁵ PLT rates tend to be higher in Western Canada. For example, FortisAlberta PLTs earn \$46.64/ hour and FortisBC PLTs earn \$39.91/hour.

⁶ All hourly wage rates included in this response to Request for Information PUB-NP-006 are wage rates in effect on December 31st of the year.

⁷ In 2012, Newfoundland Power’s average hourly rate for Technologists was \$37.88, Hydro’s hourly rate was \$38.38.

⁸ The source of the salary data for Engineers employed in utilities is the MQO Research Members Salary Survey Report for 2009 and 2012, prepared for the Professional Engineers and Geoscientists of Newfoundland and Labrador, Engineers Nova Scotia, the Association of Professional Engineers and Geoscientists of New Brunswick and Engineers PEI. There were 42 utility respondents to the survey in Newfoundland and Labrador.

Table 4
Comparative Salaries
Engineers
(\$)

	2009	2012
Newfoundland Power	87,137	93,909
Utility Engineers	94,698	110,431

Between 2009 and 2012, the average salary of a Newfoundland Power Engineer increased by approximately 7.8%. By comparison, the average salary for Engineers employed by utilities in Newfoundland and Labrador increased by approximately 16.6%.

D. Managerial Employees:

Newfoundland Power has approximately 140 managerial employees.⁹ Compensation for managerial employees is benchmarked to Hay Group's Canadian utilities organizations comparator group.¹⁰ Currently, Newfoundland Power's managerial salaries are substantially consistent with this benchmark.

Between 2008 and 2012, the average salary of a managerial employee at Newfoundland Power increased by 4.1% annually. This compares to average weekly wage growth in the province over the same period of over 5% annually.¹¹

E. Senior Management:

Newfoundland Power has 9 Managers and 4 Executives.¹²

Between 2008 and 2012, the average salary of a Manager at Newfoundland Power increased by 4.4% annually. This increase is higher than the average increase for

⁹ For the purpose of this response to Request for Information PUB-NP-006, managerial employees exclude employees who participate in collective bargaining, employees who perform clerical functions, Technologists, Engineers and Senior Management (Executive and Managers). This accounts for the difference between the approximately 140 managerial employees and the number indicated in the response to Request for Information CA-NP-426.

¹⁰ The benchmark is the 25th percentile of the comparator group which approximates the 50th percentile of Atlantic Canadian utilities. There are too few participating Atlantic Canadian utilities for Hay Group to create a reliable and anonymous Atlantic Canadian comparator group.

¹¹ See Conference Board of Canada, Average Weekly Wages & Salaries, Industrial Composite, February 02, 2012.

¹² Executives and Managers salaries are benchmarked to the 50th percentile of Hay Group's Canadian Commercial Industrial comparator group.

1 managerial employees which principally reflects the fact that 5 of the 9 current managers
2 of Newfoundland Power became Managers since late 2007.¹³

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4 Between 2008 and 2012, the average salary of an Executive at Newfoundland Power
5 increased by 4.1% annually. In addition, during this period, the number of Executives at
6 Newfoundland Power was reduced from 5 to 4.

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8 ***F. Concluding:***

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10 Newfoundland Power's salary increases are justified in the context of pay increases (i) by
11 companies in Newfoundland and Labrador, (ii) by utilities in Atlantic Canada, and (iii)
12 by Canadian utilities.

¹³ Typically, non-union employees enter a position at 80% of full salary and progress to full salary is expected within 5 years. These salary increases related to progression are in addition to normal inflationary salary increases.