

1    Q.    Further to response to Request for Information NP-NLH-005, Attachment 1,  
2    (Revision 1, Nov 14-13), Table 2.13 and Regulated Activities Evidence, Page 2.32,  
3    Table 2.13:  
4    Please explain the increase in corporate services salaries and benefits incurred by  
5    regulated Hydro from 2012 to 2013 Test Year, and specifically indicate how *each* of  
6    the increases is consistent with the provision of least cost, reliable service to  
7    customers.

8

| Corporate Services Salaries and Benefits<br>2013 vs. 2014(F) vs 2015 (F)<br>(\$millions) |     |      |          |          |
|--|-----|------|----------|----------|
| Cost Category  | [ ] | 2013 | 2014 (F) | 2015 (F) |
| Executive Leadership   | [ ] | 1.1  | 1.7      | 1.6      |
| HROE   | [ ] | 5.0  | 5.6      | 6.3      |
| Finance  | [ ] | 8.6  | 9.5      | 10.3     |
| Project Execution and Technical Services   | [ ] | 2.2  | 2.4      | 3.0      |
| Corporate Relations  | [ ] | 3.5  | 3.7      | 4.2      |
| <b>Total</b>   | [ ] | 20.4 | 22.9     | 25.4     |

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11    A.    2013- 2014 Analysis

12    Salaries and benefits cost for Corporate Services have increased by \$2.5 million  
13    from 2013 actuals to 2014 Test Year. [ ] The following is a breakdown of the  
14    increases relating to Corporate Services from 2013 to 2014 Test Year specific to the  
15    \$2.5 million.

16

17    The difference from 2013 Actual to 2014 Test Year for salaries and benefits was  
18    \$3.8 million, offset by an increase in capitalized labour of \$1.3 million for an overall  
19    difference of \$2.5 million. Approximately \$2.5 of the \$3.8 million is attributed to a  
20    forecasted increase in home based FTEs of 25.5, of which 16 were in Project  
21    Execution and Technical Services (PETS). The majority of the costs to expand the

1 engineering workforce are related to the capital program (see Hydro's responses to  
2 NP-NLH-085 and IN-NLH-007). Also see PUB-NLH-138, Attachment 1 (Revision 1)  
3 which reflects the restructuring of the PETS Division during this period. There was  
4 also a restructuring of the Finance Division in 2014 that resulted in the transfer of  
5 several positions from Nalcor to Hydro and the addition of several new positions,  
6 also reflected in PUB-NLH-138, Attachment 1 (Revision 1). Within Finance, there  
7 was an increase of 12 home based FTEs. The increases in PETS and Finance were  
8 offset by a reduction of 3.3 FTEs in HROE and Corporate Relations Corporate Service  
9 departments. There was an increase of 12 FTEs with associated costs of \$0.7  
10 million attributable to the apprentice and graduate trainee programs. While these  
11 roles are more operational than corporate service, the positions are budgeted and  
12 managed corporately in HROE as they are rotational in nature and assigned  
13 throughout the system.

14

15 Approximately \$0.8 million is attributed to general salary adjustments and an offset  
16 of \$0.2 million attributed to benefits and other cost categories. As outlined in PUB-  
17 NLH-028, salary adjustments were necessary to ensure Hydro was competitive in  
18 the labour markets where it competes to attract and retain employees. [ ]

19

20 The remaining amounts are an increase in the amount of labour forecasted from  
21 other lines of business of \$0.1 million offset by an increase in labour capitalized of  
22 \$1.3 million.

23

24 Table 1 below is a summary of the \$2.5 million difference.

1

Table 1

| Category           | Amount       |
|--------------------|--------------|
| Salaries & Wages   | \$3.9        |
| Benefits & Other   | (\$0.2)      |
| Recharge Labour    | \$0.1        |
| Capitalized Labour | \$(1.3)      |
| <b>Total</b>       | <b>\$2.5</b> |

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4 **2014 – 2015 Analysis**

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6 Salaries and benefits cost for Corporate Services are budgeted to increase by \$2.5  
7 million from 2014 Test Year to 2015 Test Year. The difference from 2014 Test Year  
8 to 2015 Test Year for salaries and benefits is budgeted at \$4.1 million, offset by an  
9 increase in capitalized labour of \$0.6 million for an overall difference of \$3.5 million.

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11 Approximately \$1.0 of the \$4.1 million is attributed to a forecasted increase in  
12 home based FTEs of 13.7, of which an increase of 4 were in Project Execution and  
13 Technical Services (PETS) related to capital programs. In addition, Finance saw an  
14 increase of 6 FTEs primarily related to the finance restructure that occurred in mid  
15 2014 in which FTEs are budgeted for the full year in 2015. There was an increase of  
16 5.5 FTEs in Corporate Relations and a drop of 1.8 FTEs in HROE.

17

18 Approximately \$0.9 million is attributed to general salary adjustments and an  
19 increase of \$2.2 million attributed to benefits and other cost categories.  
20 The remaining amounts are a decrease in the amount of labour forecasted from  
21 other lines of business of \$1.0 million offset by an increase in labour capitalized of  
22 \$0.6 million.

1 The following is a breakdown of the increases relating to Corporate Services from  
2 2014 Test Year to 2015 Test Year specific to the \$2.5 million.

3 **Table 2**

| Category           | Amount       |
|--------------------|--------------|
| Salaries & Wages   | \$1.9        |
| Benefits & Other   | \$2.2        |
| Recharge Labour    | \$(1.0)      |
| Capitalized Labour | \$(0.6)      |
| <b>Total</b>       | <b>\$2.5</b> |

4  
5 In providing reliable service, Hydro ensures that it has in place appropriate levels of  
6 staffing in all areas of the organization. Hydro's ability to maintain its wage and  
7 benefit competitiveness is imperative to ensuring a well-trained and experienced  
8 staff to provide safe, reliable, least cost service to its customers. Further  
9 explanation on the increase in salaries and benefits is detailed in Evidence on pages  
10 2.53 to 2.57 for each division of Corporate Services, specifically, Leadership and  
11 Associates, Human Resources and Organizational Effectiveness, Finance, Project  
12 Execution and Technical Services and Corporate Relations.