

1 Q. **Reference: Finance Evidence**

2 Please provide details of the costs incurred by Hydro to (i) expand its engineering and  
 3 operations workforce and (ii) implement a retention and recruitment initiative for each  
 4 year from 2008 to 2013. (Finance Evidence, page 3.14, lines 7 to 10)

Costs Incurred for Workforce Expansion and Retention and Recruitment (\$000s)						
	2008	2009	2010	2011	2012	2013F
Expand Engineering and Operations Workforce						
Retention and Recruitment Initiative						

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7 A. ***Expansion of Engineering and Operations Workforce***

8 Using 2007 as a base reference, the cumulative net increase in the cost of salaries and  
 9 benefits associated with the growth in Hydro’s Engineering and Operations workforce  
 10 over the period 2008 to 2015 is estimated to be \$9.97 million (see Table 1, Page 2). [ ]  
 11 This estimate is normalized to exclude the impact of annual salary escalation related to  
 12 general cost of living adjustments as well as the cost of salary scale progressions.

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14 The increase of \$2.4 million from 2007 to 2013 was significantly workforce growth and  
 15 related almost exclusively to engineering staff growth in the Company’s Project  
 16 Execution and Technical Services Division, driven by a significantly expanding capital  
 17 construction program within Hydro. The charge-outs to capital fully offset this amount.  
 18 [ ] The increase in salary and benefit costs forecasted for 2014 and 2015 is associated  
 19 with additional FTEs (approximately 62 FTEs in Engineering and Operations) required for  
 20 increased maintenance activity and growing capital work. The increase in the capital  
 21 program is due to aging terminal station equipment as well as initiatives undertaken to

1 improve reliability to meet increased requirements due to customer growth in Labrador,  
 2 operation and maintenance of the new combustion at Holyrood, and integration of a  
 3 large new source of generation and transmission infrastructure into the current  
 4 electrical system.

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**Table 1**

Costs Incurred for Workforce Expansion and Retention and Recruitment (\$000s)									
	2008	2009	2010	2011	2012	2013	2014F	2015F	Total
Expand Engineering and Operations Workforce <sup>1</sup>	143	1,594	1,724	(682)	(839)	431	2,934	4,669	9,974
Retention and Recruitment Initiatives <sup>2</sup>	829	837	1,822	2,078	2,227	2,505	2,684	2,795	15,777

6 ***Retention and Recruitment Initiative***

7 Hydro’s approach to recruitment and retention has been a strategic and multi-faceted  
 8 one, and a broad range of actions have been taken to ensure that the Company is able  
 9 to attract and retain the people it requires. Some of these actions have been financial in  
 10 nature, while others have involved low or no cost to the Company, but have nonetheless  
 11 been important to ensuring that Hydro is able to provide a workplace environment that  
 12 will attract and retain high quality employees. A brief description of the key elements of  
 13 Hydro’s recruitment and retention strategy is provided below as background to the cost  
 14 summary that follows.

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<sup>1</sup> Costs include base salary and benefit increases attributed to the change in FTEs. Benefit costs include fringe benefits, group insurance, and employee future benefits.

<sup>2</sup> Cost since inception associated with Engineering and Operations. [ ]

1           **Special Market Adjustments - Wages and Salaries**

2           The various market adjustments made to wages and salaries over the period 2007 to  
3           2015, and the reasons these actions were taken, are outlined on Pages 2.33 to 2.37 in  
4           Hydro's Amended General Rate Application (Volume 1).

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6           **Supervisory Differential**

7           See Page 2.34, lines 22 to 24 of Hydro's Amended Application (Volume 1).

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9           **Pay for Performance**

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11           Hydro implemented two changes to strengthen the link between pay and performance  
12           for non-union staff and senior leaders in the Company. For employees at the 100% job  
13           rate for their position (salary scale maximum) who were rated as either “Exceed  
14           Expectations” or “Exceptional” during the annual performance review process, the  
15           Company implemented a cash payment to reflect and reward that performance in the  
16           past [ ]. The lump sum payment amount varies by year as approved by the  
17           Compensation Committee of the Board of Directors. In 2014, it was 3% for “Exceeds  
18           Expectations” and 6% for “Exceptional”. Outside the performance review process, the  
19           Company also adjusted the annual “target” pay-out under the Company’s performance  
20           contract (short-term incentive) program from 6% to either 10% or 15% for eligible senior  
21           managers in the Company, depending on pay level.

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23           **Employee Recognition**

24           The Corporate Recognition Program is designed to acknowledge employee's strong  
25           commitment to the organization by ensuring achievements are recognized. Three  
26           significant programs are: On-The-Spot, Presidents Award, and Long Service Awards. [ ]  
27           Both the On-The-Spot and President’s Awards programs, established in 2008, are based

1 on peer recognition and are designed to acknowledge employees who model excellence  
2 in relation to the Company's core values and corporate goals, respectively. In 2014, the  
3 program was expanded to recognize employees reaching a five-year, forty year, and  
4 forty-five year service milestone.

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6 **Employee Wellness**

7 In 2009, Nalcor increased its focus on employee wellness. A strong focus on wellness  
8 education and promotion is complemented by a budget for wellness incentives that  
9 matches employee costs (up to a limit) for health memberships and similar wellness-  
10 related expenses.

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12 **Workplace Diversity and Inclusion**

13 In 2011, Nalcor adopted a strategy and multi-year action plan in the area of workplace  
14 diversity and inclusion. Hydro believes that diversity of backgrounds, ideas and  
15 experiences not only contributes to an innovative, high performance work environment,  
16 but that the inclusive and respectful workplace it helps sustain is important to its ability  
17 to recruit and retain highly motivated employees. In 2014, Diversity and Inclusion  
18 Awareness training was initiated across the company with a target participation of 40%  
19 of employees for 2014 and the remainder to be completed in 2015. In addition, a  
20 supervisory training program was also developed and piloted in 2014.

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22 **Recruitment and Retention in Rural Areas**

23 In 2011, Hydro and Newfoundland Power submitted a joint funding proposal to the  
24 provincial government to support a three-year program targeted around recruitment  
25 and retention in rural areas of the province and promoting career awareness within the  
26 electricity industry generally. Funding was approved in mid-2013 and development was

- 1 on-going in 2014, including curriculum to support schools promoting occupations within
- 2 the industry and a career awareness website to be launched in 2015.