

1 **GENERAL**

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3 **Q. Reference: “2025/2026 General Rate Application,” Newfoundland Power Inc.,**
4 **December 12, 2023, vol. 2, Reports, “Labour Forecast 2024–2026,” sch. A. p. 2, No.**
5 **2.**

6 **a) Please define what is included in “payroll loading.”**

7 **b) Please provide the breakdown of payroll loading included in Newfoundland**
8 **Power’s Workforce Labour Expenses by cost type by year for 2022 to 2026**
9 **Forecast including 2023 Actuals and 2022 and 2023 Test Years.**

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11 A. a) Payroll loading, or overhead, includes the Company’s estimated corporate costs
12 related to the employer’s portion of employment insurance (“EI”), Canada Pension
13 Plan (“CPP”), payroll tax, workers’ compensation premiums, and health benefit
14 premiums. It also includes the current service portion of employee future benefits
15 costs.¹ These costs are not part of an employee’s annual compensation, but are part of
16 the Company’s total labour costs.²

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18 b) Newfoundland Power does not forecast labour costs based on the individual
19 components within the payroll loading categories. As such, the detailed information
20 cannot be provided in this manner for the test years. The Company can provide the
21 breakdown of the Company’s actual costs for 2022 and 2023.

¹ See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3.2.4: Employee Future Benefits*, pages 3-7 to 3-10 for additional information on these costs.

² Payroll loading also includes: (i) vacation loading which includes vacation and statutory holiday entitlement that is part of an employee’s annual salary that is recovered through loading rates; (ii) leaves for illness and appointments that are also part of an employee’s annual salary; and (iii) vehicle loading to provide a more accurate allocation of the costs across operating, capital and rechargeable and recoverable labour.

1 Table 1 provides the breakdown of fringe costs for 2022 and 2023.

**Table 1:
Fringe Costs³
2022 and 2023 Actual
(\$millions)**

	2022A	2023A	Variance
EI	0.7	0.8	0.1
CPP	2.3	2.6	0.3
Payroll Tax	1.5	1.6	0.1
Workplace NL	0.2	0.2	-
Health Benefit Costs	3.2	3.3	0.1
Total	7.9	8.5	0.6

2 The Company's fringe costs increased by \$0.6 million in 2023 compared to 2022.
 3 This increase is primarily related to increases in CPP as a result of the *Canada*
 4 *Pension Plan Enhancement* initiative introduced by the Government of Canada in
 5 2019. This plan is expected to be phased in from 2019 through 2025.⁴

³ Includes corporate costs that are not part of the employee's annual compensation.

⁴ See Government of Canada (n.d.). *Canada Pension Plan enhancement*. Retrieved March 3, 2024 from:
<https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-enhancement.html>