

1 **Q. Page 1-4, lines 8-9: Please describe the managerial control Newfoundland Power**  
2 **uses to control labour costs.**

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4 **A. A. Test Period Labour Forecast**

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6 Newfoundland Power's annual labour costs are a function of the amount of work the  
7 Company conducts in a given year. In managing its workforce and labour costs the  
8 Company matches overall capacity and capability with anticipated work requirements.  
9 The maintenance of stable capital and operating budgets on an annual basis is another  
10 way Newfoundland Power exercises managerial control over its overall labour costs.

11  
12 The Company's annual work requirements are met using a combination of regular  
13 employees, temporary employees and contractors. This approach permits Newfoundland  
14 Power to maintain a highly skilled core workforce and reasonable flexibility to respond to  
15 variations in work requirements on a least cost basis.

16  
17 For the period from 2014 through 2017F, Newfoundland Power's workforce is forecast to  
18 decrease by 1.9% or 12.6 FTEs.<sup>1</sup> Annual operating labour costs are forecast to increase  
19 by 1.4% per year through the period. This implies an improvement in operating  
20 efficiency of approximately 2.2% per year.<sup>2</sup>

21  
22 **B. Labour Cost Management**

23  
24 ***General***

25 Labour costs, like most costs, are subject to inflationary pressures. Effective managerial  
26 control of labour costs requires recognition of this essential fact.

27  
28 Managerial control of labour costs at Newfoundland Power is not undertaken in isolation  
29 of the work required to effectively maintain the Company's electrical system and  
30 reasonably meet the expectations of its customers. Newfoundland Power's electrical  
31 system is growing. In the 10 years ending in 2014, the total length of distribution lines  
32 owned by the Company and the total number of customers served by Newfoundland  
33 Power each grew by approximately 18%.<sup>3</sup> This implies that the *amount* of work required  
34 to maintain a reliable electrical system and meet customer expectations has materially  
35 increased over the past decade.

36  
37 In addition, the continual aging of the electrical system and increased customer service  
38 expectations present additional challenges for effective labour cost management.

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<sup>1</sup> For a detailed review of the Company's Labour Forecast for the 2015-2017 period see *Volume 2, Exhibits and Supporting Materials, Tab 2: Labour Forecast 2015-2017*.

<sup>2</sup> See *Volume 1, Company Evidence, Section 3: Operations*, page 3-33, lines 1 to 5.

<sup>3</sup> In 2014, the Company owned 9,710 km of overhead distribution lines compared to 8,282 in 2004. In 2014, the Company served 253,193 customers (excluding street light customers) compared to 214,877 customers in 2004.

1 Newfoundland Power’s general approach to labour cost management focuses on effective  
2 deployment of the Company’s human resources. There is no practical choice for the  
3 Company otherwise than to maintain its electrical system and serve customers. Where  
4 practical management choices exist, they relate to *how* the Company approaches issues  
5 such as maintenance of its electrical system and provision of service to its customers.  
6

7 ***Maintaining the Electrical System***

8 An example of effective labour cost management in maintenance of the Company’s  
9 electrical system can be found in the Company Evidence.

10  
11 Newfoundland Power targets the sources of customer outages, such as equipment  
12 failures, in its annual preventative maintenance program. In addition, the Company  
13 attempts to reduce the number of customer outages related to scheduled electrical system  
14 maintenance.  
15

16 To achieve reductions in customer outages related to scheduled electrical system  
17 maintenance can require additional maintenance costs to be incurred due to increased  
18 maintenance work in an energized environment. This will tend to increase costs.  
19 However, over the longer term, the specific Company focus on reducing equipment  
20 failures has tended to reduce future labour costs associated with response to unplanned  
21 outages resulting from equipment failure.<sup>4</sup>  
22

23 Taking a targeted approach to addressing customer outages associated with equipment  
24 failures and scheduled electrical system maintenance is one example of effective  
25 deployment of the Company’s human resources. It is a managerial control that has  
26 permitted the Company to (i) keep increases in labour costs to a level less than inflation  
27 and (ii) reduce the number of customer outages attributable to these specific causes.  
28

29 ***Improving Customer Service***

30 An example of effective labour cost management in improving the Company’s delivery  
31 of customer service can also be found in the Company Evidence.  
32

33 Newfoundland Power has adopted a number of technologies which enable it to improve  
34 its service delivery to customers. These include increased use of automated meter  
35 reading (“AMR”), introduction of SMS notification for customer outages, and improved  
36 scheduling and dispatch of work. Some of these initiatives, such as accelerated adoption  
37 of AMR, will reduce operating labour costs. Others such as SMS notification and work  
38 dispatch and scheduling will increase operating costs such as fees payable to third parties  
39 for software licencing and maintenance. Overall, the costs borne by customers are less  
40 than they otherwise would be and the service delivered to customers is better than it  
41 otherwise would be.

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<sup>4</sup> See the response to Request for Information CA-NP-210 which shows service restoration costs for the 5 years ending in 2014 to be essentially flat.

1           The implementation of cost effective technologies is one example of more effective  
2           deployment of the Company’s human resources. The technologies implemented provide  
3           an enhanced degree of managerial control that permits the Company to (i) keep increases  
4           in labour costs to a level less than inflation and (ii) improve the overall delivery of  
5           service to customers.

6  
7           **C.       Other Examples of Efficiency or Productivity Improvements**

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9           Please refer to the response to Request for Information PUB-NP-011 for further examples  
10          of efficiency or productivity improvements at Newfoundland Power over the period of  
11          2013 through 2017.