

1 **Q. Page 3-33, lines 1-5: Please explain in detail how improvements in operating**
2 **efficiency of approximately 2.2% per year demonstrates “reasonable management**
3 **efficiency”.**
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5 A. Newfoundland Power’s utility operations are managed with a view to achieving
6 sustainable levels of long-term operating efficiency. Management efficiency and cost
7 control must be balanced with responsiveness to customer expectations including those
8 related to electrical system reliability and emergency response. This approach is
9 consistent with the delivery of least cost reliable service to the Company’s customers
10 over the long term.

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12 In Order Nos. P.U. 13 (2013) and P.U. 23 (2013), the Board established customer rates
13 based upon Newfoundland Power revenue requirements which indicated labour
14 productivity of approximately 1% per year over the period 2010 through 2014.¹
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16 In the *2016/2017 General Rate Application*, Newfoundland Power is forecasting
17 improved operating efficiency of approximately 2.2% per year over the period 2013
18 through 2017. This is more than twice the labour productivity included in the revenue
19 requirements to be recovered in customer rates approved by the Board in Order No.
20 P.U. 23 (2013). The evidence in support of the *2016/2017 General Rate Application*
21 indicates an improving productivity trend in the management of Newfoundland Power.
22

23 Please refer to the responses to Requests for Information PUB-NP-009, PUB-NP-011 and
24 PUB-NP-012 for greater detail concerning Newfoundland Power’s operating efficiency
25 and how that efficiency is consistent with the Company’s fulfillment of its obligation to
26 provide least cost reliable service to its customers.

¹ See Newfoundland Power *2013/2014 General Rate Application, Company Evidence, Section 2: Customer Operations*, page 2-30, line 12 to page 2-31, line 5.