

- 1 **Q. Further to the response to PUB-NP-022 and Table 2-11 on page 2-37 of the**  
 2 **Application, Newfoundland Power states that operating labour costs are forecast to**  
 3 **increase by approximately 2.1% annually over the period 2019-2023, however, the**  
 4 **Company’s annual labour rate inflation is 3.1% over this period which implies an**  
 5 **efficiency of 1% per year. According to Table 2-11, this appears to primarily be due**  
 6 **to the decrease in operating labour costs in 2021F as compared to 2020. Provide the**  
 7 **details contributing to the decrease in operating labour costs in 2021F as compared**  
 8 **to 2020.**
- 10 A. Table 1 provides a breakdown of changes in operating labour costs from 2020 to each of  
 11 2021, 2022 and 2023 forecast.

**Table 1:  
Operating Labour Costs Changes  
2020 to 2021F, 2022F and 2023F  
(\$000s)**

	2020 to 2021F	2020 to 2022F	2020 to 2023F
2020 Actual Operating Labour	36,533	36,533	36,533
<u>Changes</u>			
Labour Inflation <sup>1</sup>	1,005	2,131	3,233
LED Street Lighting Replacement Plan <sup>2</sup>	(1,425)	(1,392)	(1,360)
Application Enhancements <sup>3</sup>	(54)	(187)	(260)
Other <sup>4</sup>	(162)	(58)	(10)
<b>Forecast Operating Labour<sup>5</sup></b>	<b>35,897</b>	<b>37,027</b>	<b>38,136</b>

<sup>1</sup> The Company’s weighted labour rate increases are 2.75%, 3.00% and 2.85% for 2021, 2022 and 2023, respectively.

<sup>2</sup> Lower operating maintenance costs associated with the implementation of LED street lights. Operating efficiencies resulting from the replacement of existing street lights with LED fixtures is forecast to reduce energy and maintenance costs to customers by approximately \$52 million over 20 years. See Newfoundland Power’s 2022 Capital Budget Application, Schedule B, page 34.

<sup>3</sup> Lower annual operating labour costs associated with the Company’s 2021 and 2022 application enhancement projects. See Newfoundland Power’s 2021 Capital Budget Application, Report 6.1 2021 Application Enhancements and 2022 Capital Budget Application, Report 7.1 2022 Application Enhancements.

<sup>4</sup> Other labour changes reflect: (i) forecasted overtime requirements; (ii) timing of delayed hires due to the COVID-19 pandemic; (iii) changing workforce requirements including the return to normal levels of temporary student hires; and (iv) increased corporate costs including changes related to the Canada Pension Plan.

<sup>5</sup> See the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 2, line 4.

1 Forecast operating labour efficiencies begin in 2021 and are sustained in each of 2022  
2 and 2023. These sustained operating efficiencies serve to reduce operating costs, on  
3 average, by approximately 1% per year over the 2019 to 2023 forecast period.<sup>6</sup>  
4

5 The *LED Street Lighting Replacement Plan* will result in lower annual operating labour  
6 for repair and maintenance costs of approximately \$1.4 million starting in 2021. The  
7 \$1.4 million in operating labour costs will be avoided each year over the 2021 to 2023  
8 forecast period.  
9

10 Application enhancements implemented in both 2021 and 2022 include reductions or  
11 eliminations of manual work associated with substation maintenance, truck inspections,  
12 and human resources, technology and finance processes. The labour savings associated  
13 with these application enhancements have been removed from the operating labour  
14 forecast each year over the 2021 to 2023 forecast period.  
15

16 The operating labour reductions included in Table 1 have been included in the revenue  
17 requirements proposed in the *2022/2023 General Rate Application* (“GRA”). This means  
18 that customers served under the rates proposed in the GRA will receive the benefit of the  
19 efficiency assumptions of these projects whether or not the Company succeeds in  
20 achieving these efficiencies.  
21

22 See response to Request for Information PUB-NP-012 for additional information on the  
23 specific actions taken by Newfoundland Power to ensure a continued focus on operating  
24 efficiency.

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<sup>6</sup> For example, lower operating labour costs related to implementing LED street lights and application enhancements total approximately \$1.6 million in 2023. These labour savings lower 2023 forecast labour costs when compared to 2019 operating labour costs of \$35.2 million by approximately 4.5% [ $\$1.6 \text{ million} \div \$35.2 \text{ million} = 0.045$ ]. The average annual labour cost reduction over the 4-year period (i.e. 2019 to 2023) as a result of these initiatives is approximately 1.1% [ $0.045 \div 4 \text{ years} = 0.011$ ].