

1 Q. In the response to Request for Information CA-NLH-328, Hydro states:
2 *"Since 2007, operating labour costs have increased by just 0.01¢/kWh on an*
3 *inflation-adjusted basis from 0.83¢/delivered kWh in 2007 to 0.84¢/delivered kWh in*
4 *the 2015 Test Year."*

5 In the response to Request for Information NP-NLH-314, Hydro states:
6 *"The percentage increase [in gross salaries] on an inflation-adjusted basis is 43.3%."*
7 Please indicate in detail how these 2 indicators of labour productivity might be
8 reconciled by the Board in its consideration of whether Hydro's regulated
9 operations are managed and operated in an efficient manner as required by the
10 *Electrical Power Control Act, 1994*. In the response, Hydro should specifically
11 address the degree to which it uses each indicator in its management of its utility
12 operations.

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15 A. In its response to CA-NLH-328, Hydro states: "[s]ince 2007, operating labour costs
16 have increased by just 0.01 ¢/kWh on an inflation-adjusted basis from 0.83
17 ¢/delivered kWh in 2007 to 0.84 ¢/delivered kWh in the 2015 Test Year."

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19 This indicator gauges whether there has been any real (versus nominal) increase in
20 labour when considering the total units sold by the company. In general, if the per
21 unit cost remains flat, as is the case here, then there will be little or no increase in
22 customers' rates¹, excluding inflation, as a result of the increase in labour costs. As
23 described in the Evidence², Hydro strives to keep its overall operating and
24 maintenance costs in line with inflationary increases.

¹ Customer rates are derived as cost of service per delivered kWh which is the same concept as the labour productivity indicator (labour costs per delivered kWh).

² Refer to the Introduction to Hydro's Amended Application, Pages 1.28 – 1.29.

1 Request for Information NP-NLH-314, in part, states as follows:

2 Gross salaries have increased from \$55.7 million in 2007 to \$88.0 million
3 in the 2015 test year, or 58%. What is this percentage increase on an
4 inflation adjusted basis?
5

6 In its response to CA-NLH-328, Hydro stated: "[t]he percentage increase [in gross
7 salaries] on an inflation-adjusted basis is 43.3%."
8

9 Hydro has not indicated that it uses this percentage, calculated in response to
10 Newfoundland Power's request for information, as an indicator in its management
11 of its utility operations. To gauge whether its regulated operations are managed
12 and operated in an efficient manner as required by the *Electrical Power Control Act*,
13 1994, Hydro evaluates the component parts of gross salaries. Gross salaries are a
14 function of the number of FTEs and wages and benefit rates. Hydro has addressed
15 its staffing levels and wage and benefit rates in its Evidence³ and in its responses to
16 requests for information.

³ Refer to the Evidence to Hydro's Amended Application, Regulated Activities, Section 2.4, Operating Expenses. Hydro's most recent wage rate comparisons with other utilities, industry and construction are filed in Hydro's response to CA-NLH-358.