

Q. In the years 2008 to 2012 (f), which level of productivity improvements were forecast and what was achieved, as applicable.

A. Newfoundland Power has historically provided for forecast operating labour productivity improvements in test year costs. No specific plan exists for how the operating labour productivity will be achieved. In the event the labour productivity is not achieved, customers are *not* disadvantaged, as the forecast labour productivity improvement is included in customer rates.

Newfoundland Power does not specifically track forecast versus achieved productivity improvements. A number of factors can influence costs in any given year. For example, the impact of storms tends not only to increase overall costs, but also to alter the mix of costs as operating priorities change. Operating costs are also influenced by the level of customer activity and growth in any particular year.

As a means of evaluating overall labour cost performance, the operating labour costs per customer provides for a broad indication of labour productivity.

Table 1 shows Newfoundland Power's operating labour cost per customer from 2008 through 2012F.¹

Table 1
Operating Labour Cost per Customer
2008 to 2012F
(\$)

	2008	2009	2010	2011	2012F
Labour Cost per Customer (excluding Conservation)	117	119	124	129	128
Inflation Adjusted (excluding Conservation) (\$2008) ²	117	115	114	114	108

Over the period 2008 through 2012F, the inflation-adjusted labour cost per customer is forecast to decrease by approximately 7.7%, or 1.9% annually. Newfoundland Power considers this level of productivity improvement to be *reasonable*.

¹ Operating labour cost per customer is calculated by dividing total operating labour costs (excluding conservation labour costs) by the number of customer accounts at year end. In 2011, the Company adopted the accrual method for OPEBs (see Order No P.U.31 (2010)). For consistency of presentation, cash OPEBs costs of approximately \$549,000; \$610,000; and \$793,000 are excluded from 2008, 2009 and 2010, respectively, in Table 1.

² Labour costs are adjusted for inflation using Newfoundland Power's composite labour rate increases of 4.07% in 2009; 4.267% in 2010; 4.95% in 2011; and 3.71% in 2012.