Q. Further to the reply to CA-NP 126, please provide an explanation of why revenues/employee (FTE) are forecast to increase 25% by 2014 over 2007 levels, while sales/employee and customers/employee are forecast to increase by only 9% and 6%, respectively.

A. The forecast 25% increase in revenues/employee (FTE) between 2007 and 2014 includes the impact of rate increases to customers needed to recover all reasonable and prudent costs incurred in providing electricity service to its customers, in addition to the impact of the increased number of customers and consumption changes.

From 2007 to 2014, Newfoundland Power's purchased power expense is forecast to increase by approximately 21%. The rising purchased power costs are driven primarily by supply cost increases from Newfoundland and Labrador Hydro. Under cost of service regulation, supply costs are normally recovered through customer rates. The increase in supply costs is the primary contributor to the forecast increase in Newfoundland Power's revenues/employee (FTE) between 2007 and 2014.