

1 **Q. Newfoundland Power states "[o]perating costs are forecast to increase by**
2 **approximately 2.1% per year between 2015 and 2020. Operating labour costs are**
3 **forecast to increase by 1.7% per year over the same period. This increase is less**
4 **than Newfoundland Power's labour rate inflation and reflects a continued focus on**
5 **operating efficiency.**

6
7 **a) Please specify why operating labour costs are forecast to increase at a lower rate**
8 **than general operating costs.**

9 **b) What specific actions has Newfoundland Power taken to control the operating**
10 **labour cost increase?**

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12 **A. a) Newfoundland Power's gross operating costs are comprised of (i) labour costs, and**
13 **(ii) other costs. A breakdown of Newfoundland Power's gross operating costs is**
14 **provided in *Exhibit 2: Operating Costs by Breakdown (2015-2020F)* in *Volume 1,***
15 ***Application, Company Evidence and Exhibits.***

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17 Variations in the Company's annual labour costs are a function of labour rate
18 inflation and changes in the amount of work the Company conducts in a given year.
19 In managing its workforce and labour costs, Newfoundland Power matches overall
20 capacity and capabilities with anticipated work requirements.

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22 Other costs, also considered non-labour costs, include the goods and services the
23 Company acquires from third parties to provide service to customers. These goods
24 and services are typically acquired through competitive processes to ensure they are
25 consistent with least-cost service delivery for customers. Year-over-year variations in
26 other costs typically reflect changes in Newfoundland Power's operating
27 requirements. Examples include changes in requirements for software and computer
28 equipment.

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30 Overall variations in the Company's gross operating costs reflect a combination of
31 these cost dynamics.

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33 **b) Please see response to Request for Information PUB-NP-002 for examples of actions**
34 **Newfoundland Power has taken to manage its operating costs, including operating**
35 **labour costs.**