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July 27, 2018

NEWFOUNDLAND POWER INC.
55 Kenmount Road
PO Box 8910
St. John's, NL A1B 3P6

Via Email: khopkins@newfoundlandpower.com

**ATTENTION: KELLY HOPKINS
CORPORATE COUNSEL**


Dear Ms. Hopkins:

**RE: NEWFOUNDLAND POWER INC. – 2019 – 2020 GENERAL RATE APPLICATION
REQUESTS FOR INFORMATION**

Enclosed are Information Requests IBEW-NP-001 to IBEW-NP-011 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,
MARTIN WHALEN HENNEBURY STAMP


Es/ **MARK MURRAY**
MM/mdg
Encls.

cc. **Newfoundland Power Inc.**
Liam O'Brien, E-mail: lobrien@curtisdawe.com
NP Regulatory, E-mail: regulatory@newfoundlandpower.com
Consumer Advocate
Dennis Browne, Q.C., E-mail: dbrowne@bfma-law.com
Stephen Fitzgerald, E-mail: sfitzgerald@bfma-law.com
Sarah Fitzgerald, E-mail: sarahfitzgerald@bfma-law.com
Bernice Bailey, E-mail: bbailey@bfma-law.com
Board of Commissioners of Public Utilities
Cheryl Blundon, E-mail: cblundon@pub.nl.ca

1 **IN THE MATTER OF**
2 the *Electrical Power Control Act, 1994*,
3 SNL 1994, Chapter E-5.1 (the “*EPCA*”)
4 and the *Public Utilities Act, RSNL 1990*,
5 Chapter P-47 (the “*Act*”), as amended; and
6

7 **IN THE MATTER OF** a general rate
8 application filed by Newfoundland Power Inc.
9 to establish customer electricity rates for 2019
10 and 2020.

INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS LOCAL 1620 (IBEW)

REQUESTS FOR INFORMATION

IBEW-NP-001 to IBEW-NP-011

Issued: July 27, 2018

1 **Section 1: Workforce Composition**

2
3 **IBEW-NP-001**

- 4 a) Please provide tables, similar to the format below, showing actual or
5 forecast FTEs and headcount for 2015-2020 for unionized, non-
6 unionized and executive employee classifications.
7

FTEs / Headcount	2015	2016	2017	2018F	2019F	2020F
Union						
Non-union						
Executive Employees						

- 8
9
10 b) For both FTE and headcount, please indicate the reductions that are
11 attributable to the completed deployment of Automated Meter Reading
12 (AMR) meters.
13
14 c) If there are workforce reductions additional to those attributable to the
15 AMR program captured in the tables provided in question a) please
16 indicate the positions, reasons for the reductions, and years in which
17 the reductions occur(ed).
18
19 d) Newfoundland Power states “meter reading operating costs were
20 reduced by approximately 65%, or \$1.8 million, between 2012 and
21 2017. These cost savings are reflected in Newfoundland Power’s
22 proposed customer rates for 2020.” On the complete Operating Costs
23 by Breakdown statement please indicate in which line item(s) these
24 costs savings are reflected.
25
26 e) Newfoundland Power states “[i]n 2020, Newfoundland Power expects
27 an FTE reduction of 4.4 FTEs as a result of the conclusion of the *Five-*
28 *Year Conservation Plan: 2016-2020*. This will result in a labour
29 reduction of \$440,000.” Please explain how the *Conservation Plan*
30 will result in a reduction of 4.4 FTEs and which positions will be
31 eliminated.
32
33 f) At present, what percentage of Newfoundland Power’s workforce is in
34 the executive employee classification?
35
36 g) What percentage of the workforce at other investor owned utilities in
37 Canada are classified as executive employee? For the purposes of this
38 question please use the list of investor owned utilities considered in
39 Mr. Coyne’s evidence: ATCO Electric; FortisAlberta; FortisBC
40 Electric; FortisOntario Inc.; other Ontario electric distributors;
41 Maritime Electric; and Nova Scotia Power.

1 **Section 2: Operating Costs versus Labour Costs**

2
3 **IBEW-NP-002**

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

- 4
5
6
7
8
9 a) Please specify why operating labour costs are forecast to increase at a
10 lower rate than general operating costs.
11
12 b) What specific actions has Newfoundland Power taken to control the
13 operating labour cost increase?
14

15
16
17 **IBEW-NP-003**

Below are reproductions of Tables 2-7 and 2-13 from the Application with the percentage change between years in italics. (For example, 0.56% is the increase in Gross Operating Costs between 2015 and 2016).

Table 2-7: Gross Operating Costs 2015 to 2020F (\$000s)											
	2015		2016		2017		2018F		2019F		2020F
	57,600	<i>0.56%</i>	57,922	<i>3.04%</i>	59,680	<i>1.03%</i>	60,294	<i>3.99%</i>	62,698	<i>1.52%</i>	63,648
Table 2-13: Labour Costs by Breakdown 2015 to 2020F (\$000s)											
	2015		2016		2017		2018F		2019F		2020F
Regular & Standby	29,700	<i>-1.25%</i>	29,329	<i>4.13%</i>	30,539	<i>-0.25%</i>	30,463	<i>2.19%</i>	31,131	<i>1.27%</i>	31,525
Temporary	1,832	<i>-0.38%</i>	1,825	<i>0.60%</i>	1,836	<i>1.74%</i>	1,868	<i>25.43%</i>	2,343	<i>0.21%</i>	2,348
Overtime	2,409	<i>8.18%</i>	2,606	<i>29.09%</i>	3,364	<i>16.97%</i>	2,793	<i>1.75%</i>	2,842	<i>2.01%</i>	2,899
Total	33,941	<i>-0.53%</i>	33,760	<i>5.86%</i>	35,739	<i>-1.72%</i>	35,124	<i>3.39%</i>	36,316	<i>1.26%</i>	36,772

- 21
22 a) Please specify the reasons for the following differences in operating
23 costs and labour costs:
24 2017-2018F: 1.03% increase in operating costs compared to 1.72%
25 reduction in labour costs;
26 2018F-2019F: 3.99% increase in operating costs compared to 3.39%
27 increase in labour costs;

1 2019F-2020F: 1.52% increase in operating costs compared to 1.26%
2 increase in labour costs
3

- 4 b) Newfoundland Power states that temporary labour costs are forecast to
5 increase in part because of the Customer Service System replacement.
6 Please explain why the Company plans to use temporary labour for
7 this project.
8

9 **IBEW-NP-004**

10 Newfoundland Power states 85% of the costs to provide service to
11 customers are due to purchased power costs and fixed costs such as
12 finance charges and depreciation and that these 85% of costs are largely
13 beyond management's control. It further states "[l]abour costs account for
14 over 1/2 of Newfoundland Power's annual operating costs. These are the
15 costs over which Newfoundland Power management can assert the most
16 control. Between 2015 and 2020, Newfoundland Power expects its annual
17 operating labour costs to increase by approximately 1.7% per year. This is
18 lower than Newfoundland Power's labour rate inflation and indicates
19 sound cost management over the forecast period."

- 20 a) Please provide a table showing the 15% of costs alluded to in the
21 statement above, broken down by function and breakdown, for the
22 years 2015-2020.
23

- 24 b) Please provide a comparison of the percentage of costs other utilities
25 incur for fixed costs, legislated costs, purchased power costs etc. In
26 other words, how does the percentage of costs over which
27 Newfoundland Power has management control compare to other
28 utilities in Canada? For the purposes of this question please use the
29 list of investor owned utilities considered in Mr. Coyne's evidence:
30 ATCO Electric; FortisAlberta; FortisBC Electric; FortisOntario Inc.;
31 other Ontario electric distributors; Maritime Electric; and Nova Scotia
32 Power.
33

- 34 c) Please comment on the how much management control Fortis Inc.
35 exerts over the 15% of costs alluded to above. In support of the
36 response, please provide any agreements, memorandums of
37 understanding or other documents which set out Fortis Inc.
38 involvement in Newfoundland Power's cost decision making. If no
39 document(s) exists, please specify the circumstances where
40 Newfoundland Power seeks approval from Fortis Inc. for cost
41 decisions.
42

- 43 d) Given where Newfoundland Power can assert the most control over its
44 operating costs, is the Company putting undue pressure on labour costs
45 to accommodate rising power supply and fixed costs such as financing
46 charges?

1
2 **Section 3: Wage Increase over time, Across Job Classifications, and in Comparison to other**
3 **Utilities**

4
5 **IBEW-NP-005** In its *Labour Forecast 2018-2020* Newfoundland Power provides
6 information on weighted average wage increases as follows: 1.75% in
7 2018; 1.75% in 2019; and 2.00% in 2020.

- 8
9 a) For the years 2015-2020, please provide a table, similar to the format
10 below, showing the weighted average wage increases broken down
11 into real wage increases (base wage increases agreed to in collective
12 bargaining or otherwise provided to non-union and executive
13 employees) and real or forecast progression increases. Please provide
14 the information for union, non-union and executive employee
15 classifications. Average wage increases are requested in recognition of
16 the potentially sensitive nature of this information.
17
18

Union employees	2015	2016	2017	2018F	2019F	2020F
Weighted average wage increase						
Average real wage increase						
Average progression wage increase						
Non-union employees						
Weighted average wage increase						
Average real wage increase						
Average progression wage increase						
Executive employees						
Weighted average wage increase						
Average real wage increase						
Average progression wage increase						

- 19
20
21 b) For non-union and executive employees, what is the process by which
22 wage increases are determined?
23
24 c) Please provide the Consumer Price Index (CPI) figures for 2015-2020
25 and discuss the real wage increases compared to inflation. If the CPI is
26 not used for real wage increases to inflation comparisons, please
27 provide use the appropriate metric for discussion.
28
29 d) Has Newfoundland Power benchmarked its Gross Hourly Package
30 against those of other Canadian utilities? If so, please provide the data.
31 If not, why not?
32
33 e) Has Newfoundland Power benchmarked its wages against any wage
34 data from other Canadian utilities? Examples of wage data are

information gathered through the Canadian Electricity Association, third party labour market or labour force studies, or provincial wage and salary data such as that from Alberta shown below. If so, please provide the data. If not, why not?

2017 Alberta Wage and Salary Survey
Average wages by industry and economic region

Industry	Athabasca-Grande Prairie	Banff-Jasper-Rocky Mountain House	Calgary	Camrose-Drumheller	Edmonton	Lethbridge-Medicine Hat	Red Deer	Wood Buffalo-Cold Lake	All Regions
1 Agriculture	\$24.62	NA	\$22.55	\$20.95	\$20.98	\$22.70	\$20.58	NA	\$22.26
2 Forestry, Logging, Fishing and Hunting	\$30.30	NA	NA	NA	NA	NA	NA	\$30.23	\$30.12
3 Oil & Gas Extraction	\$36.85	\$31.66	\$53.73	\$35.07	\$37.91	\$26.42	\$36.87	\$38.16	\$43.81
4 Utilities	\$40.55	NA	\$48.31	\$40.00	NA	\$38.49	\$39.87	NA	\$44.57
5 Construction	\$32.97	\$30.30	\$32.17	\$33.06	\$34.50	\$29.45	\$31.93	\$34.16	\$32.98
6 Manufacturing	\$38.24	\$31.15	\$27.49	\$26.26	\$29.97	\$22.92	\$30.05	\$30.18	\$28.77
7 Wholesale Trade	\$29.31	\$22.70	\$26.72	\$27.28	\$28.65	\$24.04	\$22.12	\$28.90	\$27.30
8 Retail Trade	\$20.51	\$17.89	\$18.62	\$19.38	\$20.39	\$18.93	\$19.65	\$22.43	\$19.63
9 Transportation and Warehousing	\$31.83	\$26.64	\$26.57	\$28.16	\$28.52	\$26.65	\$29.45	\$32.11	\$28.39
10 Information, Culture, Recreation	\$18.78	\$17.96	\$22.34	\$19.33	\$21.67	\$16.81	\$17.85	\$21.98	\$20.97
11 Finance, Insurance, Real Estate, Leasing	\$31.47	\$30.71	\$33.24	\$26.61	\$33.55	\$25.52	\$27.52	\$33.20	\$32.58
12 Professional, Scientific & Technical Services	\$32.35	\$35.82	\$42.17	\$36.24	\$36.80	\$29.63	\$19.00	\$36.02	\$36.10
13 Business, Building and Other Support Services	\$26.73	\$22.38	\$23.08	\$23.45	\$24.48	\$22.86	\$25.20	\$25.47	\$23.85
14 Educational Services	\$36.57	\$32.05	\$35.57	\$32.94	\$35.57	\$33.02	\$25.53	\$34.25	\$34.77
15 Health Care & Social Assistance	\$28.56	\$27.14	\$30.90	\$26.04	\$30.09	\$29.11	\$28.54	\$32.32	\$29.95
16 Accommodation & Food Services	\$15.16	\$16.04	\$14.85	\$13.93	\$14.94	\$13.71	\$14.58	\$16.44	\$14.94
17 Other Services (Repair, Personal Services and Related)	\$25.97	\$24.03	\$25.25	\$25.45	\$26.29	\$24.44	\$24.67	\$27.03	\$25.71
18 Public Administration	\$34.64	\$34.38	\$44.87	\$32.58	\$40.20	\$34.75	\$36.44	\$46.40	\$40.54
19 Mining and quarrying	NA	38.51	NA	NA	NA	NA	NA	NA	\$42.74
20 ALL INDUSTRIES	\$28.79	\$22.33	\$30.13	\$25.36	\$28.75	\$24.15	\$25.27	\$30	\$28.39

NA: Not available
Source: 2017 Alberta Wage and Salary Survey.
Survey results can be found at www.afts.alberta.ca/wageinfo

[//work.alberta.ca/documents/average-overall-wages-by-industry.pdf](http://work.alberta.ca/documents/average-overall-wages-by-industry.pdf).

IBEW-NP-006

Newfoundland Power states it “is forecasting an annual increase in labour costs of approximately 1.4% from 2015 to 2020. Newfoundland Power’s weighted labour rate increase is forecast to average approximately 2.4% per year over the same period. This implies operating efficiency of approximately 1.0% per year.

- a) Please provide the total average real wage increase over the 2015-2020 period.
- b) Please explain the operating efficiency metric Newfoundland Power is using. Please specify other businesses or utilities that use this metric. What other metrics are commonly used to gauge operating efficiency and labour costs?
- c) Please comment on how Newfoundland Power’s wages for union, non-union and executive classifications compare to those of other investor owned utilities in Canada including ATCO Electric, FortisAlberta,

1 FortisBC Electric, FortisOntario Inc, other Ontario electric
2 distributors; Maritime Electric; and Nova Scotia Power.
3

4 **IBEW-NP-007** Newfoundland Power states “[c]ompared to other electric utilities,
5 Newfoundland Power’s service territory contains some of the most severe
6 wind and ice conditions for populated regions of Canada.

- 7 a) Please comment on whether working in extreme weather and/or
8 geographic conditions warrants higher pay in comparison to
9 jurisdictions with less extreme weather and geography.
10
11 b) Please comment on whether Newfoundland Power employees have an
12 expanded scope of work compared to employees of other utilities, such
13 as being required to work on live or energized lines. If so, please
14 comment on whether an expanded scope of work warrants higher pay
15 in comparison to other jurisdictions.
16
17 c) Given Newfoundland Power’s reported SAIDI, SAIFI and CAIDI
18 results, would Newfoundland Power agree that its workforce
19 contributes to Newfoundland Power performing better than the
20 average reported by members of the Canadian Electricity Association?

21 **Section 4: CSS Rollout**

22 **IBEW-NP-008** During the test period Newfoundland Power is planning to undertake
23 initial planning work for the replacement of the Customer Service System
24 with associated forecast costs shown below.

25 **Table 2-4:**
26 **Customer Service Delivery Assessment**
27 **Project Costs**
28 **(\$000s)**

	2018F	2019F	2020F
Labour	90	442	408
Other	60	175	130
Total	150	617	538

- 29
30 a) Please break down the labour costs into temporary and permanent
31 labour costs.
32
33 b) Please provide a breakdown of temporary and permanent FTEs and
34 headcount.

- 1 c) Will Newfoundland Power’s current employees be involved in this
2 initial planning and assessment phase and the CSS replacement project
3 as a whole? If so, which job classifications will be involved and in
4 what capacity? If not, why not?
5
6 d) If current Newfoundland Power employees, such as senior
7 administrative or customer service staff, are involved in this initial
8 planning and assessment phase and the CSS replacement project as a
9 whole, will temporary employees be used to backfill their positions
10 while they work on the CSS project?
11
12 e) Please provide the expected FTE and headcount change following the
13 completion of the CSS replacement project. Will FTEs and/or
14 headcount be reduced following this project? If so, please provide the
15 breakdown of the reductions between union, non-union and executive
16 employee classifications.
17

18 Section 5: Return on Equity

19 IBEW-NP-009

20 On page 3 of Newfoundland Power’s *Customer, Energy and Demand*
21 *Forecast* the Company states “...key economic indicators such as service
22 sector GDP, employment levels, household disposable income and
23 housing will continue to contract throughout the forecast period.”
24

- 25 a) Given the economic hardships consumers are expected to face, please
26 justify the requested 1.2% general rate increase to provide
27 Newfoundland Power an increased ROE.
28
29 b) Please provide a table showing the approximate amount of the 1.2%
30 general rate increase in dollars (as opposed to percentages) for 2019-
31 2020.
32
33 c) Please discuss any commentary or feedback Newfoundland Power has
34 heard from its workforce, consumers or the media regarding its
35 application for a 1.2% general rate increase to increase the Company’s
36 ROE.
37
38 d) Does Newfoundland Power believe its workforce and consumers are
39 generally supportive of the application?
40
41 e) Please provide a table showing the amount of ROE in dollars (as
42 opposed to percentages) for 2015-2020, using the actual ROE figures
43 where available and the 9.5% ROE applied for in the test period.
44
45 f) Please provide Table 4-1 from the application expanded to include the
46 years 2015-2020.

1 **IBEW-NP-010**

Newfoundland Power states “[c]ustomers expect the service they receive to be reasonably priced. Balancing reliability and least-cost service delivery requires efficiency within Newfoundland Power’s operations.

4 These expectations are broadly reflected in Newfoundland and Labrador’s
5 provincial power policy. The policy requires Newfoundland Power to
6 manage its operations in a manner that results in power being delivered to
7 customers at the lowest possible cost consistent with reliable service.”

8 a) Please explain how a 1.2% general rate increase to provide
9 Newfoundland Power a higher ROE accords with customers’
10 expectations of least-cost service and provincial power policy which
11 requires Newfoundland Power to deliver power to customers at the
12 lowest cost possible.

14 b) Please explain how a higher ROE will contribute to reasonably priced
15 and reliable service.

17 c) Given Newfoundland Power’s reported SAIDI and SAIFI results, does
18 the Company agree that its workforce contributes to the reliable
19 service it provides? If so, does Newfoundland Power see any risk to
20 service reliability by requesting a higher ROE for its shareholders
21 while collective bargaining negotiations are stalled, in part because the
22 Company is reluctant to meet employees’ wage increase expectations?

24 d) Please comment on Newfoundland Power’s ability to recruit and retain
25 high quality employees, that contribute to the reliable service it
26 provides, given the current labour situation, which is exacerbated, in
27 part, by the Company’s request for a higher ROE.

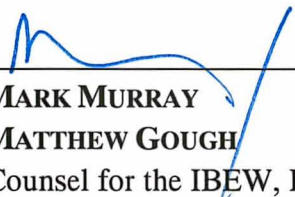
30 **IBEW-NP-011**

On page 5 of Newfoundland Power’s *Customer, Energy and Demand Forecast* the Company states “[o]verall, the number of general service customers is forecast to grow by 0.7% in 2018, 2019 and 2020. Under proposed rates, the volume of general service energy sales is forecast to increase by 0.1% in 2018, 1.0% in 2019 and 0.6% in 2020.”

35 On page 53 of the *Cost of Capital Report* authored by Mr. Coyne he states
36 “[a]s a result of these economic and demographic trends, it is more likely
37 that Newfoundland Power’s electric sales growth will be weaker in
38 coming years even as Newfoundland Power needs to continue investing
39 capital to maintain and modernize its aging infrastructure so that service
40 quality and reliability are not compromised.”

1 Please reconcile Newfoundland Power's forecast with Mr. Coyne's
2 submission that Newfoundland Power's business risk will increase due, in
3 part, to weaker electric sales.

DATED at St. John's, Newfoundland and Labrador, this 27th day of July 2018.



MARK MURRAY
MATTHEW GOUGH
Counsel for the IBEW, Local 1620