

Section 2: Customer Operation/Operating Costs

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3 **Q. (Section 2, page 2-35) Based on an average 3.1% annual increase in labour costs**
4 **over the period from 2022 to 2026, it is stated “*The Company’s weighted labour rate***
5 ***inflation is forecast to be approximately 4.1% per year over this period. This implies an***
6 ***operating efficiency of approximately 1.0% per year.”***
7 **a) Please provide comparable figures based on an appropriate Canadian labour**
8 **inflation rate.**
9 **b) Based on 2023F to 2026F, what is Newfoundland Powers’ average weighted**
10 **labour rate inflation per year and its average annual increase in labour costs?**
11 **What does the difference between them indicate?**
12 **c) Is the difference between the percentage changes in weighted labour rate**
13 **inflation and labour costs the only source of operating efficiency improvement?**
14 **d) Please compare the forecast 3.1% average annual increase in Newfoundland**
15 **Power’s labour cost from 2022 to 2026 with the Conference Board of Canada’s**
16 **forecast of the inflation rate, as measured by the Canada GDP deflator, for same**
17 **period.**
18
19 **A. a) Newfoundland Power’s labour inflation rate for the 2022 to 2026 forecast period**
20 **reflects a combination of collectively bargained base wage increases negotiated by**
21 **the Company and its union, and forecast progression increases in employee wages as**
22 **a result of experience which is also a component of the Collective Agreement**
23 **negotiated by the Company and its union.¹**
24
25 **Accordingly, Newfoundland Power’s labour inflation rate used to forecast its labour**
26 **costs for revenue requirement purposes is appropriate and has been standard practice**
27 **in the Company’s general rate applications.**
28
29 **b) Newfoundland Power is forecasting an annual increase in labour costs of**
30 **approximately 4.0% from 2023 actual to 2026 forecast.² The Company’s weighted**
31 **labour rate inflation is forecast to be approximately 4.3% per year over that period.**
32 **This indicates that labour efficiency continues over the 2023 to 2026 forecast period.**
33
34 **c) See the responses to Requests for Information PUB-NP-017, PUB-NP-023 and**
35 **PUB-NP-027 for information about Newfoundland Power’s initiatives to reduce**
36 **operating costs and initiatives to increase efficiency.**

¹ For example, a Powerline Technician Apprentice will start at 70% of the Tradesperson’s rate and over a four-year period, increase to 95% of the Tradesperson’s rate. For further information, see the response to Request for Information PUB-NP-029.

² For 2023 actual labour costs, see the response to Request for Information NLH-NP-030.

1 d) For non-labour inflation, Newfoundland Power uses the GDP deflator for Canada, a
2 measure recognized by the Board as reasonable in Order No. P.U. 36 (1998-1999).
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4 Use of the GDP deflator for Canada would not be an appropriate basis to forecast the
5 Company's labour costs. It would also not be consistent with the historical practice of
6 Newfoundland Power in forecasting its test year revenue requirements. See part a) of
7 this response and see the response to the Request for Information PUB-NP-031.
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9 Table 1 provides a comparison of the Company's labour inflation rate to the GDP
10 deflator for Canada for the 2021 to 2026 forecast period.
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Table 1:
Labour Inflation vs. the GDP Deflator for Canada

Year	Labour Inflation	GDP Deflator
2021	2.75%	8.18%
2022	3.00%	7.21%
2023	2.75%	0.91%
2024	3.80%	1.95%
2025	4.45%	1.63%
2026	4.50%	1.63%

12 In Newfoundland Power's view, the GDP Deflator for Canada rates in 2021 of 8.18%
13 and in 2022 of 7.21% were not representative of its labour inflation for those years.
14 Similarly, the GDP Deflator for Canada rates for the 2023 to 2026 forecast period are
15 also not representative of inflation for the Company's labour costs over those years.