

1 **Q. In reference to the evidence of Earl Ludlow, page 28, line 2, please provide**  
2 **particulars as to the result of negotiated labour increases, showing a dollar figure,**  
3 **and also actual dollar amounts of the “offset by the Impact of Productivity**  
4 **initiatives”.**

5  
6 A. As shown in Table 18, at page 27 of the *Operations & Customer Service Evidence*,  
7 Newfoundland Power’s operating labour costs are forecast to increase by approximately  
8 \$1.2 million, or approximately 4.2 per cent, over the two-year period from 2002 to 2004.

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10 Under the terms of the collective agreements signed in April 1999, the wage increase for  
11 unionized employees effective January 1, 2003 is 4.0 per cent. The Company’s forecast  
12 of operating expenses also assumes an average increase in salaries for non-unionized  
13 employees of 4.0 per cent. Consequently, the forecast overall increase in compensation  
14 levels for 2003 approximately equals the total forecast increase in operating labour over  
15 the two-year period from 2002 to 2004.

16  
17 The Company’s collective agreements with the Craft and Clerical bargaining units expire  
18 during 2003. Negotiations with respect to wages for 2004 and beyond have not yet  
19 commenced. The Company does not forecast wage increases for unionized employees in  
20 advance of labour negotiations, and believes that specific commentary on the Company’s  
21 expectations regarding wage increases for unionized employees for 2004 and beyond  
22 would prejudice the collective bargaining process.

23  
24 Newfoundland Power does not have a detailed forecast of the financial impact of  
25 productivity initiatives. However, the Company’s forecast of operating labour costs for  
26 the 2002 to 2004 period is based on the assumption that the success of the Company’s  
27 productivity initiatives will be sufficient to offset to a large extent any increase in labour  
28 costs due to an increase in wages and salaries for 2004.