

1 **Q. DISTRIBUTION**

2  
3 **PUB 50.0**

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5 **Did NP apply the GDP Deflator to the entire historical expenditures regardless of**  
6 **whether the expenditures were a mix of materials and labour? If so, please**  
7 **comment on the appropriateness of applying the GDP Deflator in this manner to**  
8 **generate estimates for future expenditures.**  
9

10 A. No, the GDP Deflator is applied to non-labour expenses only. This is consistent with  
11 Order No. P. U. 36 (1998-99) in which the Board ordered the adoption of the GDP  
12 Deflator for Canada as an appropriate inflation index to forecast non-labour operating  
13 expenses.  
14

15 In the absence of a suitable deflator to adjust external labour costs, both internal and  
16 external labour costs are adjusted based on forecast annual changes in Newfoundland  
17 Power labour costs.