

- 1 **Q. (Reference CA-NP-034)**  
 2 **a) How are inflation and supply chain issues expected to impact the**  
 3 **accuracy of Newfoundland Power's estimates in 2023?**  
 4 **b) (Reference Hydro Application, 2022 Capital Expenditures Overview,**  
 5 **Appendix A) Of 17 projects/programs in 2022, 13 of Hydro's projects**  
 6 **have variances between the Board-approved budget amounts and the**  
 7 **total budget expenditures and forecast. It is understood that the**  
 8 **variances are in part owing to supply chain issues and inflation. On the**  
 9 **other hand, Newfoundland Power shows 2022 capital expenditure**  
 10 **variances in only 1 of 11 projects/programs (see Newfoundland Power**  
 11 **2023 Capital Budget Application, 2022 Capital Expenditure Status**  
 12 **Report). Why is Hydro able to judge the impacts of supply chain and**  
 13 **inflation issues to date in 2022 when Newfoundland Power is not?**
- 15 **A. a)** In recent years, inflationary pressures and supply chain issues have resulted in  
 16 certain cost increases, such as higher materials and delivery costs and increases  
 17 in contractor pricing due to higher fuel costs.  
 18  
 19 Newfoundland Power used the most up-to-date information available on market  
 20 prices and inflationary increases in preparing its *2023 Capital Budget Application*.  
 21 This included up-to-date information on material and contractor pricing for  
 22 capital projects and economic data published by the Conference Board of  
 23 Canada, such as forecasts of housing starts and inflation.<sup>1</sup> The use of up-to-date  
 24 information on market prices and economic data is expected to result in  
 25 reasonably accurate budget estimates for 2023.<sup>2</sup>  
 26  
 27 For additional information on how inflation has impacted the estimates included  
 28 in the *2023 Capital Budget Application*, see the response to Request for  
 29 Information CA-NP-088. For additional information on how inflationary pressures  
 30 and supply chain issues have historically impacted the Company's annual capital  
 31 expenditures, see the response to Request for Information CA-NP-095.  
 32  
 33 **b)** The data provided in Appendix A of Hydro's *2022 Capital Expenditures Overview*  
 34 is not directly comparable to the table presented on page 1 of Newfoundland  
 35 Power's *2022 Capital Expenditure Status Report*. Hydro's Appendix A includes  
 36 forecast variances for all ongoing expenditures in progress in 2022, not just  
 37 those approved in its *2022 Capital Budget Application*.<sup>3</sup> The table presented on  
 38 page 1 of Newfoundland Power's report includes only those expenditures  
 39 approved in its *2022 Capital Budget Application*, with other ongoing expenditures  
 40 reported elsewhere in the document. As a result, this information does not  
 41 provide a reasonable basis on which to compare differences in how the utilities  
 42 are judging the impacts of supply chain and inflation issues in 2022.

<sup>1</sup> Based on Conference Board of Canada's Provincial Outlook Economic Forecast Winter 2022.

<sup>2</sup> Newfoundland Power expects its budget estimates for 2023 to be accurate within a range of plus or minus 10%. Any variances in actual results from budgeted amounts that are in excess of 10% and \$100,000 would be explained in detail to the Board.

<sup>3</sup> See Hydro's *2023 Capital Budget Application*, response to Request for Information CA-NLH-089.

- 1 For an overview of the forecast changes in Newfoundland Power's *2022 Capital*
- 2 *Expenditure Status Report*, see the response to Request for Information
- 3 CA-NP-095. The Company is managing supply chain issues and higher inflation
- 4 levels to limit the impact on its 2022 capital expenditures.