Q. In 2009's Capital Plan (from page 6 to 7) NP included a section 3.1 called Utility Infrastructure Cost. That section was not repeated in this filing.

(a) Please provide a copy of the same;
(b) Please provide an update to Graph 1 at p. 6 thereof;
(c) Please provide an update to Chart 3 at p. 7 thereof.

A. (a) Attachment A provides an update to *Section 3.1 Utility Infrastructure Cost* provided in the 2009 Capital Plan.

(b) See response to Attachment A to Request for Information CA-NP-41(a).

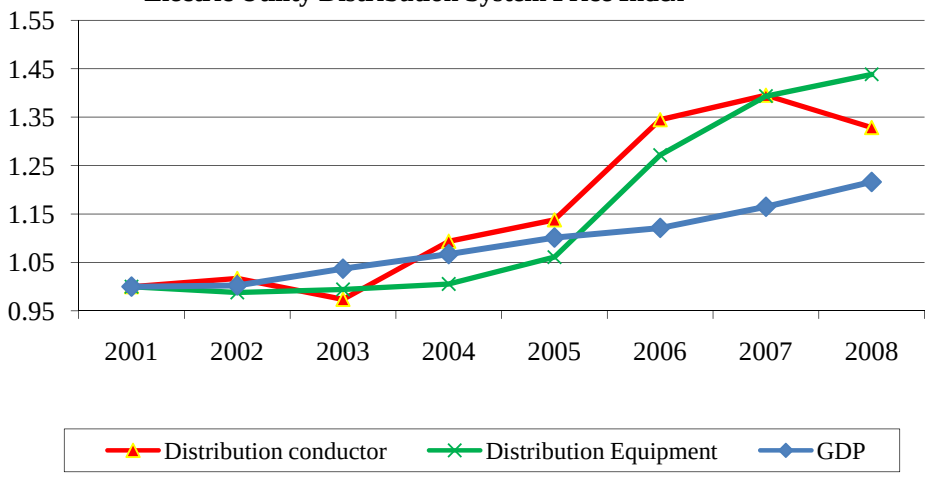
(c) See response to Attachment A to Request for Information CA-NP-41(a).

Section 3.1 Utility Infrastructure Cost Update

Utility Infrastructure Cost

Chart 1 compares the cost of distribution conductor and distribution equipment to Canadian gross domestic product ("GDP") for the period 2001 through 2008.[1]

Chart 1
Statistics Canada
Electric Utility Distribution System Price Index



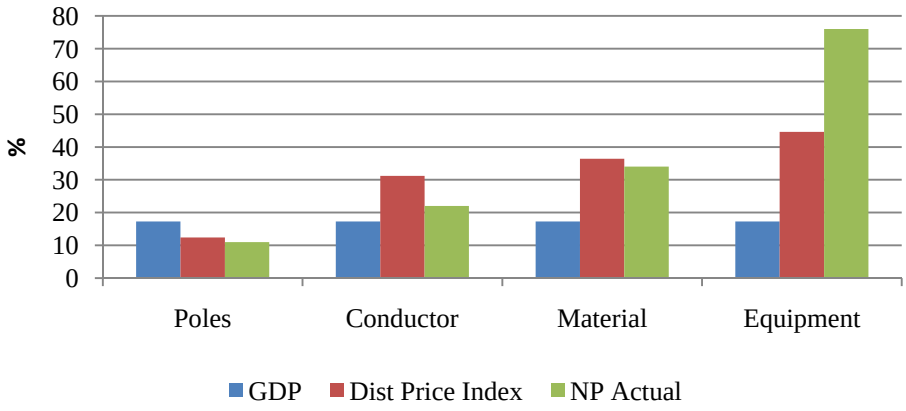
Over the period 2001 through 2005, electrical distribution material costs were broadly consistent with overall Canadian GDP. For the period 2006 to 2008, distribution material costs have increased at a materially higher level than Canadian GDP on a cumulative basis.

These material cost increases are driven largely by the increase in raw material prices used in the manufacture of components required for utility infrastructure projects. Raw materials such as copper and iron are important inputs into manufacturing processes for conductor, transformers and other major equipment used in distribution, substation and transmission infrastructure projects. Raw material prices are driven by global demand for these commodities, along with energy and transportation costs.

[1] Distribution conductor and equipment cost data taken from the Electric Utility Construction Price Index by Statistics Canada (*Capital Expenditure Price Statistics* catalogue 62-007-X).

Chart 2 compares cumulative inflation as reflected in Canadian GDP, the Distribution Price Index[2], and Newfoundland Power's expenses during the period 2003 through 2008 for poles, conductor, other standard material, and equipment used by Newfoundland Power.

Chart 2
Inflation 2003 - 2008
(not including Labour)



Conductor, material and equipment require raw materials such as copper and iron in their manufacture. For these items, inflation associated with the Company's purchases has exceeded the GDP deflator and more closely tracked the Distribution Price Index from Statistics Canada.[3]

Material cost inflation impacts Newfoundland Power's capital budgeting. For the 2009 Capital Budget Application, costs associated with distribution projects *Extensions, Transformers, Services, Meters* and *Street Lighting* alone were increased by approximately $2.1 million to better reflect inflationary effects. For the 2010 Capital Budget Application, costs associated with distribution projects *Extensions, Transformers, Services, Meters* and *Street Lighting* have been projected in a similar manner.

[2] The Distribution Price Index is part of the Electric Utility Construction Price Index. See Footnote 1.

[3] Variances between Newfoundland Power's actual material cost inflation and the Distribution Price Index reflect local factors such as transportation costs and the exclusive use of higher cost stainless steel pole-mounted transformers.