

- 1 **Q. (Reference Application, 2024 Capital Budget Overview, page 9, Figure 4)**
 2 **a) Please provide a table of the annual values of the nominal and real capital**
 3 **expenditures given in Figure 4.**
 4 **b) Please explain how the nominal values of capital expenditures were**
 5 **converted to real (2023\$) terms; supplement the explanation with a**
 6 **numerical calculation for the year 2019.**
 7 **c) In P.U.36(1998-1999) the Board ordered "the adoption of the GDP deflator**
 8 **for Canada as an appropriate inflation index to forecast non-labour**
 9 **operating expenses." Please confirm that (i) in relation to Figure 4, the**
 10 **inflation adjustment is for historical data, not forecasts, and (ii) the data in**
 11 **Figure 4 relates to capital expenditures, not operating expenses.**
- 12
- 13 **A. a) Table 1 provides the annual values of the nominal and real capital expenditures for**
 14 **the Company from 2013 to 2024F, as provided in the 2024 Capital Budget Overview,**
 15 **page 9, Figure 4.**

Table 1 Newfoundland Power Capital Expenditures 2013 to 2024F (\$millions)		
Year	Nominal	Real
2013	84.7	109.9
2014	112.6	142.2
2015	100.5	126.6
2016	99.8	124.0
2017	89.7	108.4
2018	89.4	106.2
2019	106.6	124.6
2020	96.0	110.5
2021	117.4	127.1
2022	118.0	120.3
2023F	122.9	122.9
2024F	115.3	112.7

- 16 b) Newfoundland Power determines inflation-adjusted calculations using its internal
 17 labour rates for labour costs and the GDP Deflator for Canada for its non-labour costs.

1 Table 2 provides the inflation-adjusted calculation for 2019.

Table 2 Newfoundland Power's 2019 Capital Expenditures Inflation-Adjusted Calculation (\$millions)		
Category		Amount
Labour	A	27.9
Non-Labour	B	<u>78.7</u>
Nominal Total	<u>C = A + B</u>	<u>106.6</u>
Composite Inflation Index ¹	D	0.8556
Real Total	<u>E = C / D</u>	<u>124.6</u>

- 2 c) (i) The inflation adjustment is used for both historical and forecast data to provide for
3 a comparison of the Company's capital expenditures in constant dollars (i.e. all
4 figures expressed in 2023 dollars).
5
6 (ii) It is confirmed. Newfoundland Power has historically used the GDP Deflator for
7 Canada as an inflation index for forecasting the Company's overall non-labour
8 costs. This practice is consistent for both the annual capital budget applications
9 and general rate applications. The Company's approach to determining inflation
10 is routinely reviewed by the Board during general rate application processes.

¹ Reflects the weighted combination of the Company's internal labour rate and the GDP Deflator for Canada.