

1 **Q. (Reference CA-NP-067) Forecasts of annual inflation rates by the Conference**  
2 **Board of Canada are given as 1.95%, 1.63%, 1.63%, 1.66% and 1.84% for**  
3 **2024 to 2028, respectively.**

4 **a) Please provide the source CBOC document with table/page reference for**  
5 **those inflation rates.**

6 **b) For the same years Newfoundland Power uses rates of 2.27%, 1.80%,**  
7 **1.86%, 2.02% and 2.10%, respectively, in developing its capital plan. Why**  
8 **are Newfoundland Power's inflation rates consistently higher than the**  
9 **Conference Board's forecasts?**

10  
11 A. a) The annual inflation rates by the Conference Board of Canada ("CBOC") cited in this  
12 Request for Information, and included as Table 1 of the response to Request for  
13 Information CA-NP-067, were released on August 2, 2023. These inflation rates  
14 were consistent on an average basis with the annual inflation rates by the CBOC  
15 released on February 7, 2023. The February 7, 2023 inflation rates were used in the  
16 preparation of Newfoundland Power's *2024 Capital Budget Application*.

17  
18 Newfoundland Power is unable to provide the source CBOC document with  
19 table/page reference for those inflation rates included in the CBOC's Provincial  
20 Medium-Term Forecast released on August 2, 2023 as requested. CBOC reports are  
21 copyright protected and are subject to terms and conditions that limit Newfoundland  
22 Power's ability to provide the full report. Instead, Newfoundland Power is providing  
23 Attachment A which includes the key economic indicators in the CBOC Provincial  
24 Medium-Term forecast released on August 2, 2023.<sup>1</sup>

25  
26 c) Newfoundland Power's inflation rates are consistently equal to the CBOC's inflation  
27 rates for its non-labour costs. The overall annual inflation rates of 2.27%, 1.80%,  
28 1.86%, 2.02% and 2.10% for 2024 to 2028, respectively, reflect the weighted  
29 combination of the GDP Deflator for Canada and the Company's internal labour rates  
30 over the forecast period.

31  
32 Newfoundland Power has historically relied on inflation forecasts prepared by the  
33 CBOC for its non-labour costs and the Company's internal labour rates for labour  
34 costs. This practice is consistent for both the annual capital budget applications and  
35 general rate applications. The Company's approach to determining inflation is  
36 routinely reviewed by the Board during general rate application processes.

---

<sup>1</sup> The CBOC's medium-term forecast includes the annual inflation rates for 2024 through 2027. For 2028, the CBOC's long-term forecast includes an annual inflation rate of 1.84%.

# **ATTACHMENT A:**

**Key Economic Indicators for Canada**

**Conference Board of Canada, Provincial Medium-Term Forecast,  
August 2023**

**Table 1**  
**Key Economic Indicators for Canada, 2023 to 2027**  
**Conference Board of Canada, Provincial Medium-Term Forecast**  
**August 2023**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
GDP at Market Prices (Millions \$)	2,845,329 <i>2.25</i>	2,933,365 <i>3.09</i>	3,055,024 <i>4.15</i>	3,169,919 <i>3.76</i>	3,288,541 <i>3.74</i>
GDP at Market Prices (Millions \$2012)	2,204,722 <i>1.34</i>	2,229,507 <i>1.12</i>	2,284,655 <i>2.47</i>	2,332,660 <i>2.10</i>	2,380,375 <i>2.05</i>
GDP at Basic Prices (Millions \$2012)	2,084,045 <i>1.47</i>	2,108,223 <i>1.16</i>	2,161,374 <i>2.52</i>	2,208,319 <i>2.17</i>	2,254,162 <i>2.08</i>
Implicit Price Deflator GDP at Basic Prices (2012=1.0)	1.29 <i>0.91</i>	1.32 <i>1.95</i>	1.34 <i>1.63</i>	1.36 <i>1.63</i>	1.38 <i>1.66</i>
Consumer Price Index (2002=1.0)	1.56 <i>3.47</i>	1.60 <i>2.30</i>	1.63 <i>1.99</i>	1.67 <i>2.00</i>	1.70 <i>2.01</i>
Wages and Salary per Employee (Thousands \$)	62.7 <i>2.80</i>	64.6 <i>3.00</i>	66.2 <i>2.46</i>	67.7 <i>2.26</i>	69.2 <i>2.26</i>
Primary Household Income (Millions \$)	1,854,025 <i>4.38</i>	1,922,355 <i>3.69</i>	1,999,304 <i>4.00</i>	2,071,551 <i>3.61</i>	2,147,342 <i>3.66</i>
Household Disposable Income (Millions \$)	1,556,867 <i>2.38</i>	1,600,737 <i>2.82</i>	1,658,428 <i>3.60</i>	1,714,210 <i>3.36</i>	1,773,138 <i>3.44</i>
Population of Labour Force Age	32,412 <i>2.01</i>	32,909 <i>1.53</i>	33,479 <i>1.73</i>	34,003 <i>1.57</i>	34,477 <i>1.40</i>
Labour Force (000)	21,248 <i>2.18</i>	21,528 <i>1.31</i>	21,867 <i>1.57</i>	22,168 <i>1.38</i>	22,470 <i>1.36</i>
Employment (000)	20,141 <i>2.24</i>	20,310 <i>0.84</i>	20,639 <i>1.62</i>	20,938 <i>1.45</i>	21,242 <i>1.45</i>
Unemployment Rate	5.21	5.66	5.61	5.55	5.47
Retail Sales (Millions \$)	794,706 <i>2.21</i>	812,730 <i>2.27</i>	837,766 <i>3.08</i>	862,941 <i>3.00</i>	888,358 <i>2.95</i>
Housing Starts (Number of Units)	230,126 <i>-12.11</i>	233,553 <i>1.49</i>	232,628 <i>-0.40</i>	230,482 <i>-0.92</i>	227,235 <i>-1.41</i>