

- 1 **Q. (Reference Application, 2023 Capital Expenditure Report, Appendix A:**  
2 **Variance Notes, page 10 of 12) It is stated “In 2023, actual capital**  
3 **expenditures for General Expenses Capitalized were \$1,100,000, or 28%,**  
4 **higher than the budget estimate, resulting primarily from inflationary**  
5 **increases and additional labour costs for capital planning.” Please provide**  
6 **further explanation of how inflationary increases and additional labour costs**  
7 **for capital planning led to increased capital expenditures.**  
8
- 9 A. The *2023 Capital Budget Application* was prepared in the spring of 2022. Since that  
10 time, additional labour costs have been required in *General Expenses Capitalized*  
11 (“GEC”) for Newfoundland Power’s asset management review and for the increase in  
12 activities related to capital planning, such as the annual capital budget process.<sup>1</sup>  
13  
14 In addition, GDP inflation was forecast to be 1.92% for 2022 and 0.67% for 2023.<sup>2</sup>  
15 Actual inflationary increases were 7.67% for 2022 and 1.34% for 2023, resulting in  
16 higher costs for non-labour materials recorded in GEC.<sup>3</sup>

---

<sup>1</sup> The Company began its asset management review in the fall of 2022. The budget variance in GEC resulting from increasing costs for the asset management review was reported in the *2024 Capital Budget Application*. See the response to Request for Information CA-NP-131 filed as part of that application.

<sup>2</sup> Based on the GDP Deflator provided by the Conference Board of Canada in January 2022.

<sup>3</sup> Based on the GDP Deflator provided by the Conference Board of Canada in February 2024.