

1 **Q. (Reference Application, Schedule B) On page 20, with respect to the**
 2 **reconstruction program, it is stated “The estimate for the budget year is**
 3 **calculated by taking the average of Adjusted Costs and inflating it using the**
 4 **GDP Deflator for Canada for non-labour costs and the Company’s internal**
 5 **labour inflation rate for labour costs.”**

6 **a) What are the values of those two inflation rates as used in this**
 7 **calculation? Please confirm that these are the same rates applied**
 8 **consistently for all 2025 budget estimates based on historical averages.**

9 **b) What is the value of the average of the adjusted costs as used in this**
 10 **calculation?**

11 **c) Table 2 on page 21 provides a breakdown of the proposed expenditure on**
 12 **the reconstruction program. (i) Which inflation rate was used arrive at the**
 13 **estimate of each component given in the table? (ii) Please provide a table**
 14 **on the same basis as Table 2 that shows the breakdown for 2024F and for**
 15 **the average of the adjusted costs.**

17 A. a) The GDP Deflator for Canada used to inflation-adjust the Company’s non-labour
 18 costs is 1.63%.¹ Newfoundland Power’s internal weighted-labour inflation rate used
 19 to inflation-adjust the Company’s labour costs is 4.45%.² These rates were applied
 20 consistently for all 2025 budget estimates based on historical averages.

21 b) The average of the adjusted costs is approximately \$7.2 million.

22 c) i) Newfoundland Power does not calculate its adjusted costs by the detailed cost
 23 categories. As such, the requested table in part c), subpart (ii) cannot be
 24 provided. The Company calculates adjusted costs using labour and non-labour
 25 totals. See part a) for the requested inflation rates.

26 Table 1 provides the breakdown for 2024 forecast and the average of adjusted
 27 costs.
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Table 1: 2024 Forecast and Average Adjusted Costs (\$000s)		
Type	2024 Forecast	Average Adjusted Cost
Labour	\$3,685	\$3,816
Non-Labour	3,268	3,384
Total	\$6,953	\$7,200

31 ii) See part c), subpart (i).

¹ Based on the GDP forecast in the Conference Board of Canada’s data release in February 2024.

² The Company’s internal weighted-labour inflation rate reflects base compensation increases as well as progression.