

- 1 **Q. (Reference CA-NP-097)**
2 **Regarding use of historical averages for budget estimation:**
3 **a) (i) How does NP escalate its contract labour cost for its capital programs?**
4 **(ii) Is the same method used for the contract labour cost component of its**
5 **capital projects?**
6 **b) Please provide a revised Table 1, extending it to run from 2010 to 2029F,**
7 **and adding the CPI-based inflation rate. Please confirm that the “Non-**
8 **Labour” inflation rate in the table is determined using the GDP deflator.**
9 **c) In what way does NP’s internal labour inflation rate encompass any**
10 **increased compensation to NP employees for labour productivity**
11 **improvement?**
12
13 **A.** a) Newfoundland Power uses the GDP deflator to escalate all costs, except its internal
14 labour costs, in determining its capital program and project budget estimates.¹
15
16 b) It is confirmed. See Attachment A for the requested information.
17
18 c) See the response to Request for Information CA-NP-219.

¹ This would include contractor labour costs. Further cost increases may be added to capital programs where appropriate, such as with the 2025 *New Transformers* and *Replacement Transformers* capital programs. See the response to Request for Information PUB-NP-008 for further information. Capital projects also use cost contingences as outlined in the response to Request for Information CA-NP-187.

ATTACHMENT A:

Newfoundland Power Inc.: Inflation Rates 2010 to 2029 Forecast

Newfoundland Power Inc.
Inflation Rates
2010 to 2029 Forecast
(%)

Year	Labour¹	Non-Labour²	CPI³
2010	4.27	2.85	1.78
2011	4.95	3.24	2.91
2012	3.71	1.22	1.52
2013	4.36	1.74	0.94
2014	4.25	1.94	1.91
2015	3.75	-0.87	1.13
2016	3.54	0.71	1.43
2017	3.13	2.57	1.60
2018	1.75	1.65	2.27
2019	2.40	1.54	1.95
2020	2.92	1.03	0.72
2021	2.75	7.68	3.40
2022	3.00	7.67	6.80
2023	2.85	1.34	3.88
2024F	3.80	2.27	2.59
2025F	4.45	1.63	2.10
2026F	4.50	1.63	1.97
2027F	3.00	1.76	2.01
2028F	3.00	1.73	2.01
2029F	3.00	1.80	2.01

¹ Labour inflation rates are based on the Company's internal weighted-labour inflation rate which reflects base compensation increases as well as progression.

² In Order No. P.U. 36 (1998-1999), the Board ordered the adoption of the GDP Deflator for Canada as an appropriate inflation index for forecasting Newfoundland Power's non-labour expenses. The GDP index was provided in the Conference Board of Canada's data release in February 2024.

³ CPI measures price changes by comparing the cost of a fixed basket of household commodities over time. The goods and services in this basket are divided into eight major components: food; shelter; household operations; furnishings and equipment; clothing and footwear; transportation; health and personal care; recreation, education and reading; and alcoholic beverages, tobacco products and recreational cannabis. Newfoundland Power does not consider CPI to be an appropriate inflation index for the Company as it is not reflective of the types of materials consumed by an electric utility.