

1 **General**
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- 3 **Q. Reference: "2025 Capital Budget Application," Newfoundland Power Inc.,**
4 **June 28, 2024, 2025 Capital Budget Overview, sec. 2.3.3, p. 11, Table 2.**
5 **a) Please confirm that Newfoundland Power has utilized the GDP deflator to**
6 **escalate all costs, including labour costs. If so, why did Newfoundland**
7 **Power apply the GDP deflator to labour costs?**
8 **b) Please restate Table 2 utilizing the 2025 Test Year revenue requirement**
9 **filed within Newfoundland Power's 2025–2026 General Rate Application.**

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11 A. a) Newfoundland Power uses its weighted-labour inflation rate to calculate inflation
12 adjustments on labour costs in its annual capital budgets as there is a distinct
13 allocation between labour and non-labour amounts.

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15 Table 2 in the *2025 Capital Budget Overview* provides Newfoundland Power's
16 contribution to customer rates between 2016 and 2025.¹ This calculation is based on
17 the Company's total ratemaking revenue requirement approved by the Board,
18 excluding power supply costs. As there is not a distinct allocation between labour
19 and non-labour within its total revenue requirement, the Company uses the GDP
20 deflator to calculate its contribution to customer rates on an inflation-adjusted basis.

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22 b) Current customer rates reflect Newfoundland Power's approved 2023 test year
23 revenue requirements. The 2025 and 2026 revenue requirements proposed in the
24 *2025/2026 General Rate Application* are currently under review by the Board.

¹ The 2025 contribution to rates is based on the 2023 revenue requirement, excluding purchased power costs. The 2023 revenue requirement was approved by the Board in Order No. P.U. 3 (2022). The Company's contribution to rates in 2016 is based on the 2017 test year revenue requirement, excluding purchased power costs, approved by the Board in Order No. P.U. 18 (2016).

- 1 Table 1 provides the requested analysis, using the 2017 test year and the proposed
2 2026 test year.²

Table 1: Newfoundland Power <i>Pro Forma</i> Contribution to Customer Rates (¢/kWh)			
	2017 Test Year ³	2026 Test Year	Change
Actual	3.74	4.90	31%
Inflation Adjusted ⁴	4.88	4.90	0%

² In a general rate application (“GRA”) with two test years, the second test year’s revenue requirement is used to determine customer rates. Accordingly, the analysis reflects the 2017 test year revenue requirement approved by the Board in Order No. P.U. 18 (2016) regarding the *2016/2017 GRA* and the 2026 test year revenue requirement proposed in the *2025/2026 GRA*.

³ The analysis excludes deferred cost recoveries and amortizations in addition to excluding power supply costs.

⁴ Inflation adjusted in 2025 dollars based on the GDP Deflator for Canada.