

- 1 **Q. (Reference Application, 2025 Capital Budget Overview, page 9, Figure 4)**
 2 **a) Please explain how the nominal values of capital expenditures were**
 3 **converted to real (2024\$) terms; supplement the explanation with a**
 4 **numerical calculation for the year 2020.**
 5 **b) Please provide a table that gives the 2014 to 2024 nominal and real**
 6 **capital expenditures, as given in Figure 4, as well as the corresponding**
 7 **values for 2025 to 2029 based on the 2025-2029 Capital Plan. Also, in the**
 8 **table, please give the nominal and real depreciation cost for 2014 to 2029.**
 9 **c) For 2014 to 2029 please provided a revised Figure 4 that is extended to**
 10 **2029 and includes nominal and real depreciation cost.**
 11
 12 **A. a)** Newfoundland Power determines inflation-adjusted calculations using its internal
 13 labour rates for labour costs and the GDP Deflator for Canada for its non-labour
 14 costs. This can also be represented as a composite index based on the proportion of
 15 labour to non-labour costs in each year. Table 1 provides the calculation to restate
 16 the 2020 nominal values in 2024 dollars.

Table 1: 2020 Capital Expenditures Nominal and Real (\$2024) (\$millions)		
		2020
Labour	A	\$30.2
Non-Labour	B	<u>65.8</u>
Nominal (\$2020)	C = A + B	96.0
Composite Index ¹	D	<u>0.848</u>
Real (\$2024)	E = C / D	<u>\$113.2</u>

- 17 b) See Attachment A for the requested information.
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 19 c) See Attachment B for the requested information.

¹ The composite index is a weighted calculation of the individual deflators for labour and non-labour. For 2020, labour costs were 31% of the total costs with a deflator of 0.885 and non-labour costs were 69% of the total costs with a deflator of 0.832 $((0.885*0.31) + (0.832*0.69) = 0.848)$

ATTACHMENT A:

Newfoundland Power Inc. Capital Expenditures and Depreciation:
Nominal and Real Terms

Newfoundland Power Inc.
Capital Expenditures and Depreciation
For the Years 2014 to 2029 Forecast

Year	Capital Expenditures (\$000s)		Depreciation (\$000s)	
	Nominal	Real	Nominal	Real
2014	112,564	146,037	49,288	63,190
2015	100,501	130,090	51,851	67,339
2016	99,846	127,379	55,190	70,756
2017	89,734	111,392	57,487	71,859
2018	89,434	109,156	59,466	73,415
2019	106,594	127,990	62,066	75,690
2020	96,024	113,224	64,982	78,292
2021	117,417	130,524	67,546	75,051
2022	121,460	127,034	70,662	73,606
2023	124,175	127,502	74,536	76,057
2024F	121,768	121,768	79,557	79,557
2025F	127,951	124,946	83,143	81,513
2026F	136,929	130,567	86,691	84,166
2027F	153,297	143,165	90,863	86,536
2028F	197,340	180,567	96,122	89,834
2029F	199,138	178,450	102,662	94,185

ATTACHMENT B:

Newfoundland Power Inc. Capital Expenditures and Depreciation:
Nominal and Real Terms - Graphical Representation

Figure 1:
Newfoundland Power Capital Expenditures and Depreciation
(2014-2029F)

