

1 **Section 1: Introduction**
2

3 **Q. (Section 1, page 1-4) It is stated “Operating labour costs are forecast to increase by**
4 **approximately 3.1% annually from 2022 to 2026. This is approximately 1% less than**
5 **the Company’s annual labour inflation over the same period.”**

6 **a) What is the “Company’s annual labour inflation” and how is it calculated?**

7 **b) Did Newfoundland Power also use its 3.1% annual labour cost increase in**
8 **forecasting the labour component of its capital costs over the same time period?**

9 **c) What is inflation labour projected to be in the province, and across Canada, in**
10 **the same period?**

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12 **A. a)** The Company’s annual labour inflation is the calculated *pro forma* increase in total
13 labour between 2022 and 2026 forecast expressed as an annual percentage. It is
14 calculated using the Company’s internal weighted labour rate increases for each
15 year.¹ See the response to Request for Information NLH-NP-008 for the full
16 calculation of the annual labour inflation and the 1% reduction in the Company’s
17 forecast operating labour in 2026.

18
19 The Company’s actual weighted labour rates reflect the collectively bargained wage
20 increases for union employees, market changes for non-union employees, and
21 forecast progression increases in employee’s wages as a result of experience. The
22 Company uses its internal weighted labour rate increases to forecast its labour
23 requirements for both operating and capital.

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25 **b)** See part a).

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27 **c)** It is the Company’s position that its internal weighted labour inflation rate for its
28 labour costs is the most relevant inflation rate to use for forecasting labour costs.

29
30 Table 1 provides the labour inflation rates projected in the Consumer Price Index
31 (“CPI”) for the Province of Newfoundland and Labrador (“NL”) and across Canada
32 over the same period.²

Table 1:
CPI Inflation
2022 Actual to 2026 Forecast
(%)

	2022	2023F	2024F	2025F	2026F
NL	6.39	3.06	2.27	1.94	2.01
Canada	6.80	3.74	2.42	2.08	2.05

¹ The Company’s internal weighted labour rate increases are 3.00% in 2022, 2.75% in 2023, 3.80% in 2024, 4.45% in 2025, and 4.50% in 2026. These rates also include a forecast progression rate of 0.75%.

² The CPI deflators for NL and Canada were included in the Conference Board of Canada’s data release on August 2, 2023.