

- 1 **Q. (Reference NLH-NP-006)**
 2 a) Please revise Table 1 by extending the years to 2026F and using only the GDP
 3 deflator to convert annual nominal operating cost to real operating cost.
 4 b) Please provide a similar table as requested in a) but for depreciation cost.
 5 c) Please provide a similar table as requested in a) but for finance charges.
 6
 7 A. a) Table 1 provides the requested calculation for 2013 to 2026 forecast.

**Table 1:
 Gross Operating Cost per Customer
 Inflation-Adjusted Using GDP
 2013 to 2026 Forecast**

Year	Nominal Operating Costs (\$millions)	Real Operating Costs (\$millions)	Number of Customers (000s)	Real Operating Cost Per Customer (\$)
2013	56.5	71.0	255.6	278
2014	59.6	73.5	258.9	284
2015	57.6	71.7	261.8	274
2016	57.9	71.5	264.4	270
2017	59.7	71.8	266.5	270
2018	60.2	71.3	268.0	266
2019	61.7	72.0	269.0	268
2020	63.4	73.6	270.3	272
2021	63.3	67.9	272.1	250
2022	70.5	70.5	273.7	258
2023F	72.5	71.8	275.3	261
2024F	76.8	74.7	276.4	270
2025F	79.1	75.6	277.5	273
2026F	81.6	76.8	278.4	276

- 8 In Newfoundland Power's view, the GDP deflator is not an appropriate measure to
 9 either forecast labour costs or inflation-adjust the Company's historical labour costs.
 10 See the response to Request for Information PUB-NP-137.

1 b) Table 2 provides the requested calculation for 2013 to 2026 forecast.

**Table 2:
Depreciation Cost per Customer
Inflation-Adjusted Using GDP
2013 to 2026 Forecast**

Year	Nominal Depreciation Costs (\$millions)	Real Depreciation Costs (\$millions)	Number of Customers (000s)	Real Depreciation Cost Per Customer (\$)
2013	47.0	59.0	255.6	231
2014	49.3	60.8	258.9	235
2015	51.9	64.5	261.8	246
2016	55.2	68.1	264.4	258
2017	57.5	69.2	266.5	260
2018	59.5	70.4	268.0	263
2019	62.1	72.4	269.0	269
2020	65.0	75.4	270.3	279
2021	67.5	72.4	272.1	266
2022	70.7	70.7	273.7	258
2023F	74.9	74.2	275.3	270
2024F	79.6	77.3	276.4	280
2025F	83.1	79.5	277.5	287
2026F	86.7	81.6	278.4	293

2 Depreciation costs reflect the Company's long-term capital investments, which were
3 incurred over many decades. As such, inflation-adjusting depreciation costs based on an
4 annual GDP deflator does not provide meaningful information.

1 c) Table 3 provides the requested calculation for 2013 to 2026 forecast.

**Table 3:
Finance Charges per Customer
Inflation-Adjusted Using GDP
2013 to 2026 Forecast**

Year	Nominal Finance Costs (\$millions)	Real Finance Costs (\$millions)	Number of Customers (000s)	Real Finance Cost Per Customer (\$)
2013	35.6	44.8	255.6	175
2014	35.8	44.1	258.9	170
2015	35.2	43.7	261.8	167
2016	34.6	42.8	264.4	162
2017	34.9	42.0	266.5	158
2018	35.8	42.4	268.0	158
2019	35.0	40.9	269.0	152
2020	36.7	42.6	270.3	158
2021	34.9	37.4	272.1	137
2022	34.8	34.8	273.7	127
2023F	37.3	37.0	275.3	134
2024F	41.6	40.4	276.4	146
2025F	41.1	39.3	277.5	142
2026F	41.1	38.7	278.4	139

2 Finance costs primarily reflect costs associated with the Company's long-term first
3 mortgage bonds, which were incurred over the past 30 years. As such, inflation-adjusting
4 finance costs based on an annual GDP deflator does not provide meaningful information.