

1 Q. **Reference: Response to CA-NLH-065, part a**

2 Further to CA-NLH-065(a) and NP-NLH-035, please confirm that the compounded increases from
3 the 2019 Test Year to the 2027 Test Year of approximately 32% for non-labour costs and 25% for
4 labour costs imply compound annual growth rates over eight years of approximately 3.5% and
5 2.8%, respectively. Provide the calculations using unrounded inflation factors.

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8 A. Please refer to Table 1 within Newfoundland and Labrador Hydro's ("Hydro") response to
9 NP-NLH-035 of this proceeding for the inflation factors used each year. Table 2 of Hydro's
10 response to NP-NLH-035 of this proceeding demonstrates the compounded inflation impact
11 within each year, totalling 32% and 25% for non-labour and labour costs in the 2027 Test Year,
12 respectively.

13 To calculate the impact of compound inflation in any year, the formula is:

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$$\text{Inflated Value} = \text{Starting Value} \times (1 + i_1) \times (1 + i_2) \times (1 + i_3) \times \dots \times (1 + i_n), \text{ where:}$$

- 15 • **Starting Value** = original amount
- 16 • **i** = annual inflation rate (expressed as a decimal)
- 17 • **n** = number of years

18 Therefore, the cumulative inflation of \$1 in non-labour and labour costs in 2019\$, is calculated
19 as follows:

20 **Non-Labour Costs:** $\$1 \times (1 + 1.03\%) \times (1 + 7.80\%) \times (1 + 7.90\%) \times (1 + 1.55\%) \times$
21 $(1 + 2.73\%) \times (1 + 2.56\%) \times (1 + 3.15\%) \times (1 + 1.45\%) = 1.31573088$

22 **Labour Costs:** $\$1 \times (1 + 1.20\%) \times (1 + 2.22\%) \times (1 + 3.27\%) \times (1 + 4.66\%) \times$
23 $(1 + 0.3\%) \times (1 + 4.86\%) \times (1 + 3.0\%) \times (1 + 3.0\%) = 1.247545897$