Q. **Reference: Volume I, Section 2.4.4, Issue Topic: Capital Planning**

Please quantify the impact inflationary cost pressures have had, or are forecast to have, on Hydro's capital expenditures over the 2019 to 2027 test year period.

A. Chart 1 demonstrates Newfoundland and Labrador Hydro's ("Hydro") 2019 capital expenditures escalated by inflation in relation to actual and forecast expenditures through the 2027 Test Year. Hydro has generally maintained capital costs in line with inflation from 2019 to 2023. Expenditures remain in line with inflation when major projects are excluded from the 2024 through 2027 Test Year.

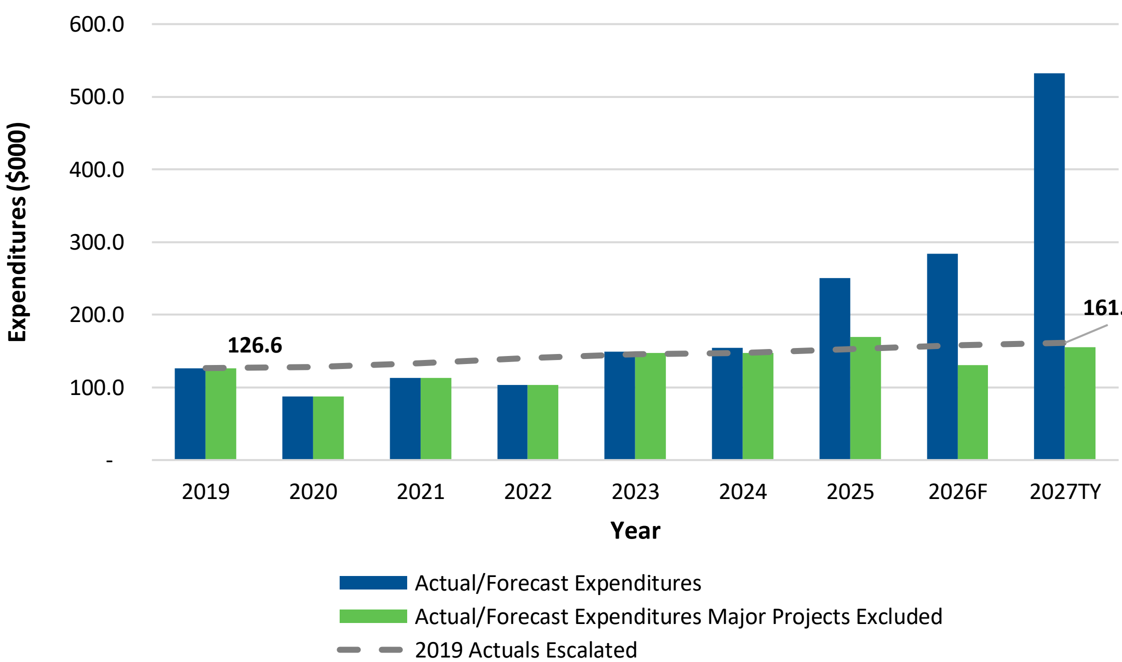

Chart 1: Capital Expenditures 2019 Through 2027 Test Year

There are many factors that impact cost pressures, of which inflation is one. There are instances where cost factors such as contract/labour pricing and procurement are responsible for driving costs of specific projects and programs to exceed the current general rate of inflation. This is a function of market conditions and may be driven by market demand and availability. For example, the cost to install a 65-foot pole in 2021 was approximately $2,000; installation costs for the same equipment in 2025 escalated to greater than $24,000.