Q. **Reference: Volume I, Section 2, Pages 2.28 to 2.32, Charts 2-12 to 2-14, Issue Topic: Operating Efficiencies**

For Charts 2-12 to 2-14, please provide in a table, the calculations that result in the inflation-adjusted figures including all labour and non-labour inflation rates used. Please also complete the same table to provide inflation-adjusted figures from 2019 actuals as opposed to from the 2019 test year. As part of the response, please state the basis of the inflation rates used.

A. To escalate the 2019 Test Year costs to 2027 dollars, Newfoundland and Labrador Hydro ("Hydro") used inflation factors based on the Gross Domestic Product ("GDP") deflator, Utility industry labour inflation statistics from Statistics Canada, and its corporate labour inflation rate for 2026 F and 2027 Test Year. The labour inflators used are outlined in Table 1.

Table 1: Inflation Factors 2020–2027 Test Year (%)

Inflation Factor	2020	2021	2022	2023	2024	2025	2026F	2027TY
GDP Deflator[1]	1.03	7.80	7.90	1.55	2.73	2.56	3.15	1.45
Labour Inflator[2]	1.20	2.22	3.27	4.66	0.30	4.86	3.00	3.00

To calculate inflation-adjusted operating costs in each year from 2020 through 2027 Test Year, Hydro multiplied 2019 Test Year non-labour costs (including cost allocations) by the compounded GDP deflator and 2019 Test Year labour costs by the compounded labour inflator, respectively, in each year. Inflation factors are provided in Table 2.

[1] Non-labour costs are inflated based on GDP percentage change derived from Signal49 Research, Canadian - 5 Yr Forecast, March 18, 2026.

[2] 2019 Test Year labour costs are inflated through 2025 based on rates per Statistics Canada's Average Weekly Earnings for Electric Power Generation, Transmission and Distribution Industries, Canada, All Employees, Excluding Overtime (Table 14-10-0203-01: Average weekly earnings by industry, monthly, unadjusted for seasonality). The 2019 Test Year labour costs are escalated consistent with internal labour inflation rates for 2026F and 2027 Test Year.

Table 2: Compounded Inflation Factors 2019 Test Year–2027 Test Year ($)

	2019TY	2020	2021	2022	2023	2024	2025	2026	2027TY
Total Non-Labour Compounded Inflation	1.00	1.01	1.09	1.18	1.19	1.23	1.26	1.30	1.32
Total Labour Compounded Inflation	1.00	1.01	1.03	1.07	1.12	1.12	1.18	1.21	1.25

This calculation resulted in the real dollars shown in Charts 2-12, 2-13 and 2-14 of Hydro's 2026 General Rate Application ("GRA") as outlined in Table 3.

Table 3: Labour, Non-Labour and Operating Costs in Real Dollars
2019 Test Year–2027 Test Year
($ Millions)[3]

	2019TY	2020	2021	2022	2023	2024	2025	2026	2027TY
2019TY Non-Labour (2019$)[4]	51	52	56	60	61	63	65	67	68
2019TY Labour (2019$)[5]	85	86	88	90	95	95	100	103	106
2019TY Operating Costs (2019$)[6]	**136**	**138**	**144**	**151**	**156**	**158**	**164**	**169**	**173**

Overall, the 2027 Test Year forecast is approximately 10% or $17 million below the 2019 Test Year forecast in real dollars. Alternatively, if 2019 Actuals are escalated, operating costs for the 2027 Test Year are approximately $13 million lower than the 2019 Actuals in real dollars, as shown in Chart 1.

[3] Numbers may not add due to rounding.
[4] As per Chart 2-14 of Hydro's 2026 GRA.
[5] As per Chart 2-13 of Hydro's 2026 GRA.
[6] As per Chart 2-12 of Hydro's 2026 GRA.

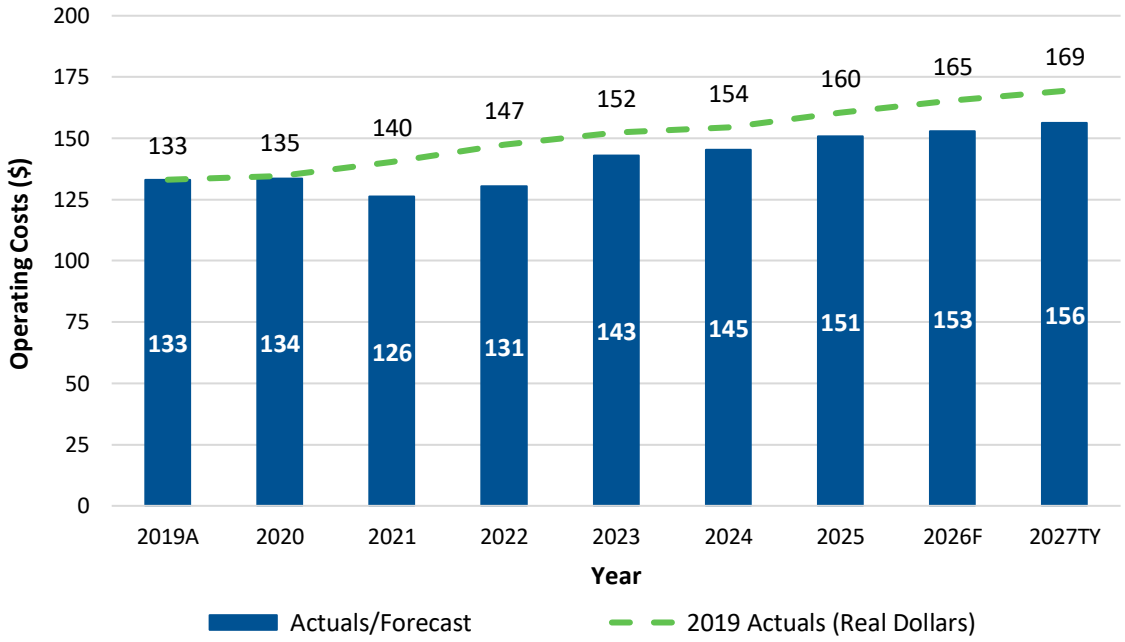

Chart 1: 2019 Actual Operating Costs vs Inflation ($ Millions)

The values in Chart 1 are determined using the same methodology discussed above and are outlined in Table 4.

Table 4: Labour, Non-Labour and Operating Costs in Real Dollars
2019 Actuals–2027 Test Year
($ Millions)[7]

	2019A	2020	2021	2022	2023	2024	2025	2026	2027TY
2019 Actuals Non-Labour (2019$)	48	49	53	57	58	59	61	63	64
2019 Actuals Labour (2019$)	85	86	88	90	95	95	99	102	106
2019 Actual Operating Costs (2019$)	**133**	**135**	**140**	**147**	**152**	**154**	**160**	**165**	**169**

[7] Numbers may not add due to rounding.