Q. **Reference: Supplemental Material, page 7, Operations Costs – Table 3-5**

a) Provide a breakdown of the components for each of the functional areas in Table 3-5.

b) Provide an explanation for the increase in “Transmission and Distribution”, “Production”, and “Operating Technology” in the 2027TY in comparison to the period 2025 to 2026F.

A. **a)** Please refer to PUB-NLH-014, Attachment 1.

b) **Transmission and Distribution**

2027 Test year vs. 2025 Actuals

The increase of $2.9 million from 2025 actuals to 2027 Test Year is primarily related to:

- Increased labour costs ($2.0 million).
- Increased aircraft costs due to an increase in contract rates,[1] as well as an increase in vehicle fuel pricing ($0.8 million).

2027 Test Year vs. 2026 Forecast

The increase of $1.1 million from 2026 Forecast to 2027 Test Year is primarily related to:

- Increased labour costs ($0.9 million).
- Increased aircraft costs due to an increase in contract rates, as well as an increase in vehicle fuel pricing ($0.2 million).

[1] Please refer to PUB-NLH-013 of this proceeding for further discussion.

<u>Production</u>

<u>2027 Test Year vs. 2025 Actuals</u>

The increase of $2.7 million from 2025 actuals to 2027 Test Year is primarily related to:

- Increased labour costs ($4.5 million).

Offset partially by:

- Addition of productivity allowance ($1.1 million).
- Work scopes completed in 2025 that are not anticipated to re-occur in 2027 ($0.4 million).

<u>2027 Test Year vs. 2026 Forecast</u>

The increase of $1.1 million from 2026 forecast to 2027 Test Year is primarily related to:

- Increased labour costs ($0.9 million).
- Contractor cost escalations ($0.2 million).

<u>Operating Technology</u>

<u>2027 Test Year vs. 2025 actuals</u>

The increase of $1.0 million from 2025 actuals to 2027 Test Year is primarily due to:

- Higher software costs driven by cost escalations ($0.4 million).
- Increased labour costs ($0.6 million).

<u>2027 Test year vs 2026 Forecast</u>

The decrease of $0.7 million from 2026 Forecast to 2027 test year is primarily due to:

- A reduction in the Information System Administration fee due to the removal of depreciation charges since assets relating to information systems programs were moved to regulated Hydro as per the Board of Commissioners of Public Utilties Order No. P.U. 18(2026) ($1.0 million).

- Partially offset by other immaterial increases ($0.3 million).

Newfoundland and Labrador Hydro
Total Operating Expenses – Transmission and Distribution
($000)

	2019 Test Year Restated	2024 Actual	2025 Forecast	2025 Actual	2026 Forecast	2027 Test Year
Labour						
Salaries	24,731	23,900	24,985	25,193	25,631	26,431
General Expenses Capitalized Deferral	-	-	(320)	(318)	(329)	(339)
Overtime	1,713	2,443	2,471	2,594	2,186	2,243
Other Labour-Related Costs	231	(1,222)	(170)	(548)	506	546
Total Labour	**26,675**	**25,121**	**26,966**	**26,921**	**27,994**	**28,881**
System Equipment and Maintenance	10,868	10,585	12,569	12,876	15,165	12,665
Other						
Office Supplies and Expenses	646	560	500	509	569	579
Professional Services	116	541	123	119	97	98
Insurance	-	-	-	-	-	-
Equipment Rentals	564	875	369	548	405	413
Travel	1,559	1,492	1,483	1,545	1,373	1,397
Miscellaneous Expenses	57	98	114	113	96	98
Building Rental and Maintenance	626	796	802	844	654	666
Transportation	915	2,047	1,604	1,831	2,518	2,713
Customer Costs	-	-	1	1	-	-
Total Other	**4,483**	**6,409**	**4,997**	**5,508**	**5,711**	**5,963**
Cost Allocations	(368)	(2,786)	(2,688)	(3,076)	(4,864)	(2,371)
Total Operating Expenses	**41,658**	**39,329**	**41,845**	**42,229**	**44,006**	**45,138**
($ Millions)	**41.7**	**39.3**	**41.8**	**42.2**	**44.0**	**45.1**

Newfoundland and Labrador Hydro
Total Operating Expenses – Production
($000)

	2019 Test Year Restated	2024 Actual	2025 Forecast	2025 Actual	2026 Forecast	2027 Test Year
Labour						
Salaries	19,662	18,761	19,600	19,818	20,880	21,540
General Expenses Capitalized Deferral	-	-	(785)	(782)	(894)	(922)
Overtime	2,552	3,783	3,595	3,724	3,872	3,969
Other Labour-Related Costs	4,752	3,598	2,958	2,537	5,058	5,222
Total Labour	**26,966**	**26,142**	**25,367**	**25,297**	**28,915**	**29,809**
System Equipment and Maintenance	13,077	11,389	13,691	14,769	12,174	12,340
Other						
Office Supplies and Expenses	128	372	337	340	338	344
Professional Services	1,094	1,703	2,140	2,143	1,960	1,961
Insurance	-	-	-	-	-	-
Equipment Rentals	1,576	142	272	259	177	180
Travel	472	360	298	329	335	341
Miscellaneous Expenses	247	263	303	268	219	223
Building Rental and Maintenance	315	422	356	375	348	355
Transportation	204	247	218	220	211	215
Customer Costs	-	-	-	-	-	-
Total Other	**4,036**	**3,509**	**3,925**	**3,933**	**3,589**	**3,618**
Cost Allocations	(337)	(94)	(924)	(2,178)	(1,201)	(1,201)
Total Operating Expenses	**43,742**	**40,946**	**42,058**	**41,822**	**43,477**	**44,565**
($ Millions)	**43.7**	**40.9**	**42.1**	**41.8**	**43.5**	**44.6**

Newfoundland and Labrador Hydro
Total Operating Expenses – Engineering Services
($000)

	2019 Test Year Restated	2024 Actual	2025 Forecast	2025 Actual	2026 Forecast	2027 Test Year
Labour						
Salaries	11,098	13,030	14,387	14,494	13,862	14,928
General Expenses Capitalized Deferral	-	-	(964)	(1,078)	(958)	(957)
Overtime	134	(22)	(254)	(28)	27	16
Other Labour-Related Costs	(6,269)	(8,680)	(9,502)	(9,194)	(9,006)	(10,052)
Total Labour	**4,963**	**4,329**	**3,668**	**4,193**	**3,925**	**3,934**
System Equipment and Maintenance	276	318	365	150	354	360
Other						
Office Supplies and Expenses	213	228	204	203	202	207
Professional Services	261	590	633	752	611	615
Insurance	-	-	-	-	-	-
Equipment Rentals	24	14	14	12	14	14
Travel	238	96	117	105	84	86
Miscellaneous Expenses	27	4	11	11	7	8
Building Rental and Maintenance	26	12	18	12	15	15
Transportation	-	-	1	1	-	-
Customer Costs	-	-	-	-	-	-
Total Other	**788**	**943**	**999**	**1,095**	**933**	**945**
Cost Allocations	(45)	(9)	(1)	(1)	(133)	(133)
Total Operating Expenses	**5,982**	**5,581**	**5,030**	**5,436**	**5,080**	**5,107**
($ Millions)	**6.0**	**5.6**	**5.0**	**5.4**	**5.1**	**5.1**

Newfoundland and Labrador Hydro
Total Operating Expenses – System Planning and NLSO
($000)

	2019 Test Year Restated	2024 Actual	2025 Forecast	2025 Actual	2026 Forecast	2027 Test Year
Labour						
Salaries	3,393	5,094	5,951	6,078	5,481	5,654
General Expenses Capitalized Deferral	-	-	-	-	-	-
Overtime	222	532	635	645	571	589
Other Labour-Related Costs	981	1,625	1,686	1,776	1,645	1,701
Total Labour	**4,596**	**7,250**	**8,271**	**8,499**	**7,697**	**7,943**
System Equipment and Maintenance	29	9	12	10	11	11
	-	-	-	-	-	-
Other	-	-	-	-	-	-
Office Supplies and Expenses	36	14	21	20	20	20
Professional Services	87	1,042	2,486	2,407	1,338	1,174
Insurance	-	-	-	-	-	-
Equipment Rentals	-	1	1	-	1	1
Travel	92	54	45	47	62	63
Miscellaneous Expenses	8	6	9	8	9	9
Building Rental and Maintenance	7	7	8	7	8	8
Transportation	-	-	-	-	-	-
Customer Costs	-	-	-	-	-	-
Total Other	**229**	**1,124**	**2,570**	**2,489**	**1,438**	**1,276**
Cost Allocations	(37)	266	(202)	(592)	664	752
Total Operating Expenses	**4,818**	**8,649**	**10,652**	**10,406**	**9,810**	**9,982**
($ Millions)	**4.8**	**8.7**	**10.7**	**10.4**	**9.8**	**10.0**

Newfoundland and Labrador Hydro
Total Operating Expenses – Major Projects and Asset Management
($000)

	2019 Test Year Restated	2024 Actual	2025 Forecast	2025 Actual	2026 Forecast	2027 Test Year
Labour						
Salaries	512	2,516	3,748	3,766	4,376	5,358
General Expenses Capitalized Deferral	-	-	(1,153)	(1,223)	(1,189)	(1,264)
Overtime	-	6	16	20	19	20
Other Labour-Related Costs	115	(647)	(1,383)	(1,389)	(1,726)	(2,576)
Total Labour	**626**	**1,875**	**1,227**	**1,173**	**1,480**	**1,537**
System Equipment and Maintenance	-	9	5	8	4	5
	-	-	-	-	-	-
Other	-	-	-	-	-	-
Office Supplies and Expenses	4	46	38	25	45	50
Professional Services	-	343	626	798	785	799
Insurance	-	-	-	-	-	-
Equipment Rentals	-	-	-	-	-	-
Travel	11	63	72	76	119	121
Miscellaneous Expenses	0	1	7	34	1	1
Building Rental and Maintenance	0	1	3	2	5	7
Transportation	-	-	-	-	-	-
Customer Costs	-	-	-	-	-	-
Total Other	**15**	**454**	**746**	**935**	**954**	**978**
Cost Allocations	(5)	-	-	-	(61)	(61)
Total Operating Expenses	**637**	**2,338**	**1,978**	**2,116**	**2,378**	**2,460**
($ Millions)	**0.6**	**2.3**	**2.0**	**2.1**	**2.4**	**2.5**

Newfoundland and Labrador Hydro
Total Operating Expenses – Operating Technology
($000)

	2019 Test Year Restated	2024 Actual	2025 Forecast	2025 Actual	2026 Forecast	2027 Test Year
Labour						
Salaries	2,851	3,349	3,583	3,593	3,796	3,908
General Expenses Capitalized Deferral	-	-	(613)	(598)	(670)	(696)
Overtime	91	91	76	121	111	113
Other Labour-Related Costs	(44)	(368)	(444)	(635)	(227)	(230)
Total Labour	**2,898**	**3,072**	**2,601**	**2,482**	**3,010**	**3,095**
System Equipment and Maintenance	799	458	446	309	441	450
Other						
Office Supplies and Expenses	244	140	207	162	201	209
Professional Services	1,163	2,960	3,326	3,221	3,235	3,374
Insurance	-	-	-	-	-	-
Equipment Rentals	1,580	1,628	1,153	1,238	1,189	1,223
Travel	106	91	94	62	96	97
Miscellaneous Expenses	7	6	13	6	12	13
Building Rental and Maintenance	25	25	28	20	24	24
Transportation	-	-	-	-	-	-
Customer Costs	-	-	-	-	-	-
Total Other	**3,124**	**4,849**	**4,821**	**4,709**	**4,757**	**4,940**
Cost Allocations	4,419	5,128	6,146	5,608	6,567	5,594
Total Operating Expenses	**11,240**	**13,507**	**14,013**	**13,108**	**14,776**	**14,079**
($ Millions)	**11.2**	**13.5**	**14.0**	**13.1**	**14.8**	**14.1**