

1 Q. **Reference: Application, 2026 Capital Budget Overview, page 2**

2 It is stated *“Increased capital expenditures in recent years primarily reflects ongoing inflation as*
3 *well as increased renewal-driven expenditures...”*

4 a) Does “ongoing inflation” refer to labour, equipment and material costs rising at the
5 same rate as general inflation or at a higher rate?

6 b) Does Hydro expect that its unit costs of labour, material and equipment will increase
7 with the general rate of inflation (e.g., GDP deflator) in 2026 and to 2030, or at a
8 significantly different rate?

9
10
11 A. a) Ongoing inflation refers to expenditures rising at the applicable rate of inflation for the
12 scope of work. Newfoundland and Labrador Hydro (“Hydro”) maintains escalation factors
13 for various types of assets, such as transmission line construction.

14
15 b) Hydro tracks asset-specific metrics to inform its unit costs of labour, material and
16 equipment, of which gross domestic product is one indicator.