

1 Q. **Reference Application, Capital Programs and Projects, Wood Pole Line Management (2026),**
2 **pages 15 - 16**

3 A number of causes of increased costs (environmental mitigation, labour/contract pricing and
4 procurement and expediting of materials) are given.

5 a) Have these cost factors increased the cost of the program by substantially more than the
6 general rate of inflation as measured by the CPI or GDP deflator? Please provide
7 quantifications in the response.

8 b) How does the cost of the program influence Hydro's program activity? For instance, if,
9 for the same level of activity, cost were to fall (increase) by 30% would Hydro increase
10 (reduce) its proposed expenditures on the program?
11
12

13 A. a) Yes, there are some instances where the cost factors identified above are responsible for
14 driving the cost of the program to exceed the current general rate of inflation. This is a
15 function of market conditions and may be driven by market demand and availability. For
16 example, the cost to install a 65-foot pole in 2021 was approximately \$2,000; installation
17 costs for the same equipment in 2025 have escalated to greater than \$24,000.

18 Newfoundland and Labrador Hydro ("Hydro") uses Electric Utility Construction Price
19 Escalation as these indices are more specific to its unique Wood Pole Line Management
20 Program, and provide a more accurate indication of market changes than the global
21 indicators of gross domestic product and CPI.

22 b) Hydro optimizes expenditure by only targeting work deemed critical to reliability and as
23 such would only propose the minimum amount of work required from a technical
24 perspective. There are no viable alternatives for this program other than re-pacing of the
25 work. For example, to partially mitigate over-expenditure in 2024, Hydro reviewed the
26 timing of the program activities and deferred a portion of the work to subsequent years.