

Q. **Reference: Volume 1, page 3.2**

Hydro states (lines 10 to 11) “From 2024 to 2027, inflation is expected to result in an increase of more than 10%...” Provide the index and data for 2024 to 2027 that Hydro is relying on to assert inflation over the 2024 to 2027 period of more than 10%.

A. To escalate the 2024 Actual expenditures 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 own labour inflation rate for the 2026 Forecast and 2027 Test Year. The labour inflators used are outlined in Table 1.

**Table 1: Inflation Factors 2024–2027 Test Year (%)**

| <b>Inflation Factor</b>      | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>2027TY</b> |
|------------------------------|-------------|-------------|-------------|---------------|
| GDP Deflator <sup>1</sup>    | 2.73        | 2.56        | 3.15        | 1.45          |
| Labour Inflator <sup>2</sup> | 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 2024 non-labour costs (including cost allocations) by the compounded GDP deflator and 2024 labour costs by the compounded labour inflator, respectively, in each year. Inflation factors are provided in Table 2.

**Table 2: Compounded Inflation Factors 2024–2027 Test Year (\$)**

|                                       | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>2027TY</b> |
|---------------------------------------|-------------|-------------|-------------|---------------|
| Total Non-Labour Compounded Inflation | 1.00        | 1.03        | 1.06        | 1.07          |
| Total Labour Compounded Inflation     | 1.00        | 1.05        | 1.08        | 1.11          |

<sup>1</sup> Non-Labour Costs are inflated based on GDP percentage change derived from Signal49 Research, Canadian - 5 Yr Forecast, March 18, 2026.

<sup>2</sup> 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 the 2026 Forecast and 2027 Test Year.

1           This calculation resulted in the real dollars shown in Chart 3-1 of Hydro’s 2026 General Rate  
2           Application (“GRA”) as outlined in Table 3. As discussed in Hydro’s 2026 GRA, from 2024 to  
3           2027, inflation is expected to result in an increase of more than 10%, or approximately  
4           \$14.1 million in operating costs.<sup>3</sup>

**Table 3: Labour, Non-Labour, and Operating Costs in Real Dollars**  
**2024–2027 Test Year**  
**(\$ Millions)<sup>4</sup>**

|                                    | 2024         | 2025         | 2026         | 2027TY       |
|------------------------------------|--------------|--------------|--------------|--------------|
| Labour Escalated (2024\$)          | 88.5         | 92.8         | 95.6         | 98.5         |
| Non-Labour Escalated (2024\$)      | 56.8         | 58.2         | 60.0         | 60.9         |
| <b>2024 Actuals (Real Dollars)</b> | <b>145.2</b> | <b>151.0</b> | <b>155.6</b> | <b>159.4</b> |

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<sup>3</sup> \$14.1 million/\$145.2 million = 9.7%.  
<sup>4</sup> Numbers may not add due to rounding.