Q. (Reference Schedule B, Rebuild Distribution Lines)
a) Table 1 (page 19) shows a sizeable step up in expenditures in 2023 and 2024 ($5.1 million and $5.3 million, respectively) compared to 2021 and 2022 ($4.1 million and $4.0 million, respectively). Please provide an explanation.
b) For each of the years 2021 to 2025F inclusive, please provide a table showing the decomposition of total expenditure in terms of cost categories: Material, Labour-Internal, Labour-Contract, Engineering and Other.

A. a) The increase in expenditures in 2023 and 2024 reflect: (i) inflationary increases;[1] (ii) higher material costs;[2] and, (iii) additional labour and other costs incurred to complete the capital work requirements encountered in those years.[3]

Rebuild Distribution Lines is a preventative maintenance program that involves the planned replacement of deteriorated distribution structures and electrical equipment identified through inspections or engineering reviews. The scope of this work varies depending on inspection results, which can result in year-over-year fluctuations in work volumes and program costs.

The 2026 budget for the *Rebuild Distribution Lines* program is based on an inflation-adjusted historical average. On an inflation-adjusted basis, the annual costs for this program ranged from $4.5 million to $5.4 million from 2021 to 2025 forecast. The proposed 2026 capital budget of $5.3 million is within this range and reasonably reflects the annual capital work requirements for this program.

[1] Capital expenditures averaged $5.2 million in 2023/2024 and $4.0 million in 2021/2022; an increase of $1.2 million, or 30%. On an inflation-adjusted basis, capital expenditures averaged $5.4 million in 2023/2024 and $4.7 million in 2021/2022; an increase of $0.7 million, or 15%. Inflationary increases account for approximately $0.5 million of the variance ($1.2 million - $0.7 million = $0.5 million).

[2] Higher material costs are largely driven by increases in the price of base metals, conductors, and wood. Average weighted distribution wood pole cost was approximately $607 in 2021 and $865 in 2024, an increase of 43%.

[3] For example, expenditures in 2023 and 2024 included higher costs for equipment rentals and vegetation management.

b) Table 1 provides the breakdown of total expenditure for the *Rebuild Distribution Lines* program from 2021 to 2025 forecast.

Table 1
Rebuild Distribution Lines Program
Expenditure by Cost Category
($000s)

Cost-Category	2021	2022	2023	2024	2025F
Material	750	734	1,023	1,008	1,483
Labour – Internal	2,254	1,953	2,663	2,577	2,609
Labour – Contract	602	763	907	912	614
Engineering	314	326	231	332	256
Other	223	180	261	424	153
Total	**4,143**	**3,956**	**5,085**	**5,253**	**5,115**