

1 **Reference: Section 2: Customer Operations**

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3 **Q. Volume 1, page 2-35, Table 2-9. Provide a detailed calculation showing the**
4 **breakdown of costs that cause the increase in corporate and employee service costs**
5 **over the period 2019-2023.**

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7 A. Table 1 provides a breakdown of the increase in corporate and employee services costs
8 over the period 2019 to 2023 forecast.

**Table 1:
Breakdown of Increase
2019 to 2023 Forecast
(\$000s)**

2019 Operating Cost	A	14,233
<u>Inflationary Increases</u>		
Labour ¹		864
Non-labour ²		454
		1,318
<u>Increased Regulatory Activity</u>		
Labour ³		325
Non-labour ⁴		378
		703
Other		13
2023 Operating Cost	B	16,267
Total Increase	C = B - A	2,034

¹ Labour inflation is based on the Company's weighted labour rate increases of 2.92% in 2020, 2.75% in 2021, 3.00% in 2022 and 2.85% in 2023 [$\$7,185 * 1.0292 * 1.0275 * 1.0300 * 1.0285 = \$8,049 - \$7,185 = \864].

² The GDP deflator for Canada was recognized as a reasonable measure of inflation by the Board in Order No. P.U. 36 (1998-1999). The GDP increases are 0.56% in 2020, 2.32% in 2021, 1.75% in 2022, and 1.67% in 2023 [$\$7,048 * 1.0056 * 1.0232 * 1.0175 * 1.0167 = \$7,502 - \$7,048 = \454].

³ Increases in regulatory activity includes the addition of a director position to oversee the Company's Regulatory Affairs function and an additional analyst position.

⁴ Non-labour increases include additional costs related to regulatory proceedings such as: (i) Hydro's next general rate application, including cost of service and other matters associated with commissioning of the Muskrat Falls Project; and (iii) Newfoundland Power's next general rate application.