

1 Q. What is the basis for the escalation estimate on page 68 of the Upgrade
2 Transmission Line Corridor Report?

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5 A. The escalation estimate is based on Hydro's forecast of annual escalation rates that
6 are prepared on a regular basis for the various categories of projects undertaken by
7 Hydro. The project specific categories included in Hydro's forecast of escalation
8 include Combustion Turbine Plant Construction, Combined Cycle Combustion
9 Turbine Plant Construction, Hydraulic Plant Construction, Transmission Line
10 Construction, Transformer Station Construction and Distribution Line Construction.
11 Hydro includes these escalation indices in its Corporate Assumptions and issues
12 them regularly for consistency.

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14 The basic drivers for Hydro's forecasts of escalation are various producer price
15 indices (PPIs), a labour cost index and a general inflation index. The PPIs used by
16 Hydro in its escalation forecast are proprietary as they are prepared by third party
17 and purchased by Hydro through a subscription service.