

1 Q. **Reference: Application, Schedule 6, Distribution System In-Service Failures, Miscellaneous**  
2 **Upgrades, and Street Lights (2024)**

3 It is stated (page 6)

4 As Hydro cannot predict the quantity and nature of failures to be addressed  
5 within this program for future years, Hydro has forecast future expenditures for  
6 this program based on the 2023 program budget with cost escalation applied.

7 a) In percentage terms, what is the cost escalation that was applied?

8 b) How does that percentage compare to Hydro's expectation of inflation?

9 c) Please explain Hydro's method for determining its cost escalation adjustment in this  
10 case.

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13 A. a) The escalation factor applied was 2% per year.

14 Newfoundland and Labrador Hydro ("Hydro") notes there is an error in this sentence and it  
15 should read:

16 As Hydro cannot predict the quantity and the nature of failures to be addressed  
17 within this program for future years, Hydro has forecast future expenditures for  
18 this program based on the **2024** program budget with cost escalation applied.  
19 [emphasis added]

20 b) Hydro's corporate assumptions on inflation match the Bank of Canada target inflation  
21 control rate of 2%.

22 c) The Distribution Long-Term Asset Planning group reviewed previous expenditures on  
23 material supply and labour and determined a 2% increase would accurately reflect the  
24 increases observed.