

1 **Section 2: Customer Operation/Operating Costs**
2

3 **Q. (Section 2, Table 2-5) Why are operating costs for “Power Produced” increasing at**
4 **such a fast rate from 2023F to 2026F?**

5
6 A. Operating costs for the Power Produced function are increasing by approximately
7 \$377,000, or 3% per year, from 2023 forecast to 2026 forecast.¹

8
9 The operating forecast reflects a reasonable estimate for annual inflationary increases
10 from 2023 through 2026. Labour inflation is calculated using the Company’s forecast
11 internal weighted labour inflation rate.² Non-labour inflation is calculated using the GDP
12 deflator from the Conference Board of Canada’s data release on August 2, 2023.³

13
14 See also the response to Request for Information PUB-NP-028.

¹ $\$4,470,000 - \$4,093,000 = \$377,000 / \$4,093,000 / 3 \text{ years} = 3\%$.

² See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.4 Operating and Capital Costs*, page, 2-31, footnote 57.

³ The forecast GDP inflation rates are 1.95%, 1.63% and 1.63% for 2024 through 2026 forecast, respectively. In Order No P.U. 36 (1998-99), the Board ordered the adoption of the GDP deflator for Canada as an appropriate inflation index to forecast non-labour operating expenses.