

1 **Section 2: Customer Operations/Operating Costs**
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3 **Q. Volume 1, Section 2, page 2-30 and Additional Information, PUB Information**
4 **Request (ii), Schedule B, Attachment 1, page 2 of 4. Electricity supply is forecast to**
5 **increase by \$3.69 million (12%) in 2025 Forecast as compared to the 2023 test year.**
6 **The three most significant dollar value increases occur in Distribution,**
7 **Administrative and Engineering Support, and Fleet Operation and Maintenance.**
8 **Please provide the reasons for the forecast increase in these expenses since the 2023**
9 **test year. Also please provide the reasons for the forecast increase in Distribution**
10 **and Administrative and Engineering Support between the 2025 Forecast and the**
11 **2026 Forecast.**

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13 A. Newfoundland Power has experienced non-labour inflationary cost pressures as
14 compared to the 2023 test year.¹ This includes operating costs in the Electricity Supply
15 function.

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17 The increases between the 2023 test year and 2025 forecast primarily reflect: (i) an
18 increase in vegetation management in the Distribution function;² (ii) an increase in tools,
19 clothing and travel in the Administration and Engineering Support function;³ (iii) higher
20 fuel prices and additional vehicle maintenance costs in the Fleet Operation and
21 Maintenance function;⁴ and (iv) inflationary increases in labour⁵ and non-labour⁶ costs in
22 each of 2024 and 2025.

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24 The increases between the 2025 and 2026 forecast in the Distribution and Administrative
25 and Engineering Support functions primarily reflect inflationary increases in labour and
26 non-labour costs.⁷

¹ See the response to Request for Information PUB-NP-018.

² Vegetation management work can vary from year to year primarily as a result of planned maintenance activities and weather conditions. Any critical work identified during inspections would be prioritized to be completed based on the overall risk to safety and reliability.

³ Increases primarily reflect a return to normal operations following a period of restricted activities due to the COVID-19 pandemic. The 2023 test year forecast for tools, clothing and travel costs was lower than 2019 actual costs.

⁴ In September 2023, the retail motor fuel prices for regular unleaded on the Avalon Peninsula was 187.7 ¢/litre. This represents an 19% increase from its price in September 2021. $[(187.7 - 157.8) / 157.8 = 19\%]$.

⁵ Labour inflation is based on the Company's annual weighted-labour inflation rates over the forecast period. See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.4.1 Operating Costs*, page 2-31, footnote 57.

⁶ Non-labour inflation is based on the GDP deflator projected by the Conference Board of Canada. See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 3*, page 9 of 9, lines 11-13.

⁷ For additional information on Administrative and Engineering Support costs, see the response to Request for Information PUB-NP-020.