

1 **Section 2: Customer Operation/Operating Costs**  
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3 **Q. (Exhibits 3 and 7) Please provide a table containing the Operating expenses for**  
4 **2022, 2023 and 2024E from Exhibit 3 and the Operating Costs (“Proposed”) for**  
5 **2025F and 2026F from Exhibit 7 and also give the annual percentage changes in**  
6 **these operating expenses as well as the percentage change in the Canada GDP**  
7 **deflator for 2023, 2024, 2025F and 2026F.**

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9 A. Table 1 provides operating expenses from 2022 to 2026 forecast, the annual GDP  
10 deflators and the annual percentage changes for both.

**Table 1:**  
**Operating Expenses and GDP Deflators**  
**2022 to 2026 Forecast**  
**(\$000s)**

	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Operating Expenses	68,869	73,473	78,775	81,903	84,940
% Change	-	6.69	7.22	3.97	3.71
GDP Deflator	1.28	1.29	1.32	1.34	1.36
% Change	-	0.78	2.33	1.52	1.49

11 The operating expense increases from 2022 to 2026 forecast primarily reflect costs that  
12 are not directly impacted by changes in GDP. These costs include: (i) the Company’s  
13 internal labour costs;<sup>1</sup> (ii) variations in other company fees for external consultant  
14 requirements throughout the forecast period;<sup>2</sup> and (iii) higher computing equipment and  
15 software costs for additional licensing and support costs for third-party hardware and  
16 software solutions including cybersecurity.<sup>3</sup>

<sup>1</sup> The Company’s weighted labour inflation rate is 2.75%, 3.80%, 4.45% and 4.50% for 2023 through 2026 forecast, respectively.

<sup>2</sup> Includes higher consultant costs associated with: (i) regulatory proceedings anticipated over the forecast period, including the Company’s general rate applications; (ii) upcoming changes in accounting standards related to converting to International Financial Reporting Standards (“IFRS”); (iii) anticipated Hydro regulatory proceedings; and, (iv) information technology, including cybersecurity. See the response to Request for Information PUB-NP-018, part f).

<sup>3</sup> Includes increased costs associated with: (i) operations and engineering software, such as the Outage Management System, GIS and the Asset Management System; (ii) infrastructure and network management; (iii) cybersecurity management; (iv) business back office software, such as the Financial Management System; and (v) customer service software, such as the new Customer Information System. See the response to Request for Information PUB-NP-018, part h).