

SECTION 2: CUSTOMER OPERATIONS/OPERATING COSTS

Q. Reference: NLH-NP-030

Starting with 2022 actual non-labour costs, please calculate estimates for 2023–2026 by inflating the 2022 costs using the actual GDP deflator rates for 2023 and the projected GDP deflator rates for 2024–2026. Please detail the calculation and rates used. If the non-labour costs provided in Exhibits 1 and 2 exceed the amounts provided in this calculation, please detail the reasons for the increase.

A. See Attachment A for the requested information.

Variance explanations have been provided for variances exceeding \$100,000, consistent with the Company’s methodology for its operating variance explanations in its Annual Reports to the Board.

**Non-Labour Operating Costs by Function and Breakdown
2023 to 2026 *Pro Forma***

Newfoundland Power Inc.
 Non-Labour Operating Cost by Function
 2022 to 2026 Pro Forma¹
 (\$000s)

Function	2022A	2023F	2023PF	2024F	2024PF	2025F	2025PF	2026F	2026PF	2023F vs 2023PF		2024F vs 2024PF		2025F vs 2025PF		2026F vs 2026PF		Notes
										(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	
Distribution	3,299	3,329	3,343	3,394	3,419	3,449	3,475	3,505	3,532	(14)	0%	(25)	-1%	(26)	-1%	(27)	-1%	
Transmission	786	793	797	809	815	822	828	835	841	(4)	-1%	(6)	-1%	(6)	-1%	(6)	-1%	
Substations	667	648	676	660	691	671	703	682	714	(28)	-4%	(31)	-4%	(32)	-5%	(32)	-4%	
Power Produced	2,096	2,096	2,124	2,137	2,172	2,171	2,208	2,207	2,244	(28)	-1%	(35)	-2%	(37)	-2%	(37)	-2%	
Administrative and Engineering Support	2,779	2,759	2,816	2,776	2,880	2,822	2,927	2,868	2,975	(57)	-2%	(104)	-4%	(105)	-4%	(107)	-4%	
Telecommunications	1,432	1,455	1,451	1,518	1,484	1,542	1,508	1,554	1,533	4	0%	34	2%	34	2%	21	1%	
Environment	57	58	58	59	59	90	60	60	61	-	0%	-	0%	30	50%	(1)	-2%	
Fleet Operations and Maintenance	2,191	2,108	2,220	2,149	2,271	2,184	2,308	2,220	2,345	(112)	-5%	(122)	-5%	(124)	-5%	(125)	-5%	
Electricity Supply	13,307	13,246	13,485	13,502	13,791	13,751	14,017	13,931	14,245	(239)	-2%	(289)	-2%	(266)	-2%	(314)	-2%	
Customer Service	1,777	1,720	1,801	1,718	1,842	1,725	1,872	1,729	1,902	(81)	-4%	(124)	-7%	(147)	-8%	(173)	-9%	
Energy Solutions	292	460	296	469	303	475	308	484	313	164	55%	166	55%	167	54%	171	55%	2
Uncollectible Bills	2,027	2,045	2,054	2,186	2,101	2,222	2,135	2,258	2,170	(9)	0%	85	4%	87	4%	88	4%	
Customer Services	4,096	4,225	4,151	4,373	4,246	4,422	4,315	4,471	4,385	74	2%	127	3%	107	2%	86	2%	
Information Systems	3,774	4,808	3,825	5,698	3,912	6,151	3,975	6,465	4,040	983	26%	1,786	46%	2,176	55%	2,425	60%	3
Financial Services	247	401	250	1,583	256	1,410	260	917	264	151	60%	1,327	518%	1,150	442%	653	247%	4
Corporate and Employee Services	7,855	8,392	7,960	8,632	8,142	8,497	8,272	9,005	8,409	432	5%	490	6%	225	3%	596	7%	5
Insurances	2,214	2,428	2,244	2,621	2,295	2,773	2,332	2,932	2,370	184	8%	326	14%	441	19%	562	24%	6
General	14,090	16,029	14,279	18,534	14,605	18,831	14,839	19,319	15,083	1,750	12%	3,929	27%	3,992	27%	4,236	28%	
Gross Operating Cost	31,493	33,500	31,915	36,409	32,642	37,004	33,171	37,721	33,713	1,585	5%	3,767	12%	3,833	12%	4,008	12%	

¹ The annual *pro forma* amounts were calculated by inflating the prior year amounts by the GDP deflator for the subsequent year commencing with 2022 actual. GDP deflators were included in the Conference Board of Canada's data release in February 2024. These rates are 1.344%, 2.272%, 1.628% and 1.628% from 2023 through 2026 forecast, respectively.

² For a detailed variance explanation of the increase in 2023 forecast over 2022 actual, see the response to Request for Information PUB-NP-025. The amounts included in the 2024 to 2026 forecast reflect the planned community outreach and in-person education and awareness activities.

³ For a detailed variance explanation, see the responses to Request for Information PUB-NP-023 and PUB-NP-022. See also the responses to Requests for Information PUB-NP-140 and PUB-NP-142.

⁴ For a detailed variance explanation, see the responses to Request for Information PUB-NP-023 and PUB-NP-022.

⁵ For a detailed variance explanation, see the responses to Request for Information PUB-NP-023 and PUB-NP-022.

⁶ For a detailed variance explanation from 2023 to 2026 forecast, see the response to Request for Information NLH-NP-021.

Newfoundland Power Inc.
 Non-Labour Operating Cost by Breakdown
 2022 to 2026 Pro Forma¹
 (\$000s)

Breakdown	2022A	2023F	2023PF	2024F	2024PF	2025F	2025PF	2026F	2026PF	2023F vs 2023PF		2024F vs 2024PF		2025F vs 2025PF		2026F vs 2026PF		Notes
										(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	
Vehicle Expenses	2,184	2,101	2,213	2,142	2,264	2,177	2,300	2,212	2,338	(112)	-5%	(122)	-5%	(123)	-5%	(126)	-5%	
Operating Materials	1,254	1,265	1,271	1,290	1,300	1,311	1,321	1,332	1,342	(6)	0%	(10)	-1%	(10)	-1%	(10)	-1%	
Inter-Company Charges	27	27	27	28	28	28	28	29	29	-	0%	-	0%	-	0%	-	0%	
Plants, Substations, System Operations and Building	3,716	3,750	3,766	3,823	3,852	3,885	3,914	3,948	3,978	(16)	0%	(29)	-1%	(29)	-1%	(30)	-1%	
Travel	1,120	1,148	1,135	1,179	1,161	1,198	1,180	1,217	1,199	13	1%	18	2%	18	2%	18	2%	
Tools and Clothing Allowance	1,372	1,384	1,390	1,411	1,422	1,434	1,445	1,458	1,469	(6)	0%	(11)	-1%	(11)	-1%	(11)	-1%	
Miscellaneous	1,467	1,608	1,487	1,640	1,520	1,663	1,545	1,691	1,570	121	8%	120	8%	118	8%	121	8%	2
Taxes and Assessments	1,388	1,401	1,407	1,428	1,439	1,451	1,462	1,475	1,486	(6)	0%	(11)	-1%	(11)	-1%	(11)	-1%	
Uncollectible Bills	2,027	2,045	2,054	2,186	2,101	2,222	2,135	2,258	2,170	(9)	0%	85	4%	87	4%	88	4%	
Insurance	2,214	2,428	2,244	2,621	2,295	2,773	2,332	2,932	2,370	184	8%	326	14%	441	19%	562	24%	3
Severance and Other Employee Costs	156	157	158	160	162	163	164	166	167	(1)	-1%	(2)	-1%	(1)	-1%	(1)	-1%	
Education, Training and Employee Fees	396	508	401	512	410	520	417	528	424	107	27%	102	25%	103	25%	104	25%	4
Trustee and Directors' Fees	687	693	696	760	712	772	724	785	735	(3)	0%	48	7%	48	7%	50	7%	
Other Company Fees	2,945	3,572	2,985	5,131	3,052	4,771	3,102	4,672	3,153	587	20%	2,079	68%	1,669	54%	1,519	48%	5
Stationery and Copying	240	242	243	247	249	251	253	255	257	(1)	0%	(2)	-1%	(2)	-1%	(2)	-1%	
Equipment Rental and Maintenance	671	677	680	690	695	702	707	713	718	(3)	0%	(5)	-1%	(5)	-1%	(5)	-1%	
Telecommunications	1,655	1,680	1,677	1,748	1,715	1,775	1,743	1,791	1,772	3	0%	33	2%	32	2%	19	1%	
Postage	1,282	1,221	1,299	1,209	1,329	1,207	1,350	1,203	1,372	(78)	-6%	(120)	-9%	(143)	-11%	(169)	-12%	
Advertising	583	600	591	609	604	622	614	632	624	9	2%	5	1%	8	1%	8	1%	
Vegetation Management	3,230	3,259	3,273	3,323	3,348	3,377	3,402	3,432	3,458	(14)	0%	(25)	-1%	(25)	-1%	(26)	-1%	
Computing Equipment and Software	2,879	3,734	2,918	4,272	2,984	4,702	3,033	4,992	3,082	816	28%	1,288	43%	1,669	55%	1,910	62%	6
Total Other	31,493	33,500	31,915	36,409	32,642	37,004	33,171	37,721	33,713	1,585	5%	3,767	12%	3,833	12%	4,008	12%	

¹ The annual *pro forma* amounts were calculated by inflating the prior year amounts by the GDP deflator for the subsequent year commencing with 2022 actual. GDP deflators were included in the Conference Board of Canada's data release in February 2024. These rates are 1.344%, 2.272%, 1.628% and 1.628% from 2023 through 2026 forecast, respectively.

² Miscellaneous costs are forecast to increase by greater than the GDP deflator rates primarily due to an increase in planned community outreach and in-person education and awareness activities related to Energy Solutions following the reduced outreach activity during the COVID-19 pandemic. See the response to Request for Information PUB-NP-025 for further information.

³ For a detailed variance explanation from 2023 to 2026 forecast, see the response to Request for Information NLH-NP-021.

⁴ See the responses to Request for Information PUB-NP-018 and PUB-NP-141.

⁵ See the responses to Request for Information PUB-NP-018 and PUB-NP-141.

⁶ See the responses to Request for Information PUB-NP-018, PUB-NP-022 and PUB-NP-023. See also the responses to Requests for Information PUB-NP-140 and PUB-NP-142.