

- 1 **Q. Further to the response to NLH-NP-030, Attachment A, please explain why**
 2 **Administrative and Engineering Support costs are forecast to increase in 2025 and**
 3 **2026 over the 2023TY.**
 4
- 5 A. The Company is forecasting operating costs for Administrative and Engineering Support
 6 of \$10,054,000 in 2025 and \$10,425,000 in 2026. This represents an increase of \$713,000
 7 and \$1,084,000 in 2025 and 2026, respectively, as compared to the 2023 test year.¹
 8
 9 Table 1 provides the breakdown of the increases for the 2025 and 2026 forecast as
 10 compared to the 2023 test year.

Table 1:
Administration and Engineering Support Operating Costs²
2025 and 2026 Forecast vs. 2023 Test Year
(\$000s)

Type	2025F	2026F
Labour Inflation ³	580	916
Less: Labour Efficiencies	<u>(234)</u>	<u>(245)</u>
	346	671
Non-Labour ⁴	367	413
Total	713	1,084

11 The increase in Administration and Engineering Support labour costs reflect labour
 12 inflation, less labour efficiencies within this function.
 13

14 The increase in non-labour costs reflects a combination of inflation and forecast increases
 15 in travel, tools and clothing, and education and training.⁵ The increase is partially offset
 16 by forecast decreases in equipment rentals and maintenance, other company fees and
 17 stationery and copying.

¹ 2025 forecast compared to 2023 test year includes an additional two years of inflation (\$10,054,000 - \$9,341,000 = \$713,000). 2026 forecast compared to 2023 test year includes an additional three years of inflation (\$10,425,000 - \$9,341,000 = \$1,084,000).

² Under the Company's General Expenses Capitalized ("GEC") methodology, a portion of these costs are reallocated to capital through indirect GEC transfers as approved by the Board in the Company's 2022/2023 General Rate Application. See the response to Request for Information PUB-NP-020 for additional information.

³ 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.

⁴ Inflation on non-labour costs 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.

⁵ See the response to Request for Information PUB-NP-018, parts c) and e) for further information.