

*Board of Commissioners of Public Utilities
Newfoundland and Labrador Hydro 2003 General Rate Hearing*

Revised September 8, 2003

Overall, the net variance in the Production and TRO departments from 2002 to forecast 2004 is \$251,000 (\$1.343 million - \$1.092 million). The remaining variances in system equipment maintenance are not significant and further analysis and commentary on these components is not considered necessary.

Miscellaneous

The breakdown of items included in the miscellaneous expense category for 2001 and 2002 actuals and forecast 2003 and 2004 are as follows:

	Actual 2001	Actual 2002	Test Year 2002	Forecast 2003	Forecast 2004
Staff Training	\$ 1,051,515	\$ 658,037	\$ 840,805	\$ 932,719	\$ 1,012,649
Contribution	182,838	185,251	193,500	194,000	194,000
Sundry costs	299,399	107,837	83,538	88,198	81,818
Diesel fuel Hydro	92,318	53,669	94,550	95,300	39,400
Demand side management	13,917	20,934	45,000	45,000	100,000
Employee expenses	306,889	276,239	340,176	331,686	322,526
Collection fees	8,421	6,190	25,000	8,520	8,520
Bad debt expense	386,197	1,036,772	300,000	324,996	324,996
Inventory gain/loss	1,075,488	288,092	594,000	420,000	370,000
Municipal and payroll tax	2,198,438	2,231,281	2,074,700	2,120,400	2,224,694
	<u>\$ 5,615,420</u>	<u>\$ 4,864,302</u>	<u>\$ 4,591,269</u>	<u>\$ 4,560,819</u>	<u>\$ 4,678,603</u>
Less: Non-Regulated	<u>(182,000)</u>	<u>(190,000)</u>	<u>(193,500)</u>	<u>(194,000)</u>	<u>(194,000)</u>
Total (as per Exhibit 2)	<u>\$ 5,433,420</u>	<u>\$ 4,674,302</u>	<u>\$ 4,397,769</u>	<u>\$ 4,366,819</u>	<u>\$ 4,484,603</u>

The procedures performed in this expense category included a comparison of the forecast amounts to prior years, investigation of any unusual fluctuations and assessing the overall reasonableness of the forecast amounts.

For purposes of the 2003 and 2004 forecast, all of the amounts forecast for contributions are considered non-regulated. These have been removed from the chart as noted above.

Miscellaneous expense for the years 2002 to forecast 2004 is fairly consistent overall reflecting a decrease of \$189,699 or 4.1%. In comparison to the 2002 test year there is a forecast increase of \$86,834 or 2%. While the total expense is fairly consistent, within the sub-categories of miscellaneous there are a couple of significant fluctuations to note.

The bad debt expense forecast for 2003 and 2004 of \$324,996 is consistent with the bad debt expense of 2001 (\$386,197). The large increase in 2002 of \$650,575 was primarily due to the write-off of accounts related to isolated customers in Labrador.

Staff training costs for the 2003 and 2004 forecast have increased from 2002, however, they are comparable to 2001. The decrease in staff training in 2002 was related to several factors. In the Human Resources division there was a Diesel Plant Operations Training program that was an initiative for 2000 and 2001. It had much lower costs than anticipated in 2002, however an increase in these training costs is forecast for 2003 for new diesel system representatives and