

1 Q. Reference: Schedule I to evidence of M. G. Bradbury (p. 10 of 10). Provide
2 an explanation for the year over year change in each of the following
3 expenses, by division where applicable, for 2003, 2004, 2005 and forecasts
4 for 2006 and 2007:

- 5 a. Salaries & Benefits
- 6 b. Employee Future Benefits
- 7 c. Group Insurance
- 8 d. Overtime
- 9 e. Capitalized Salaries
- 10 f. System Equipment Maintenance
- 11 g. Office Supplies
- 12 h. Professional Services
- 13 i. Insurance
- 14 j. Equipment Rentals
- 15 k. Travel
- 16 l. Miscellaneous
- 17 m. Building Rental and Maintenance
- 18 n. Transportation

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21 A. The Public Utility Board's financial advisors, Grant Thornton, conduct an
22 annual review of Hydro's financial results, which includes the type of variance
23 analysis and explanation being requested.

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25 The scope of the Grant Thornton review includes the following:

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27 "3. Conduct an examination of operations and administration expenses,
28 fuels, power purchased, depreciation, and interest to assess their

1 reasonableness and prudence in relation to sales of power and energy. The
2 examination of the foregoing will include, but is not limited to, the following:

- 3
- 4 a) amortization of deferred charges,
 - 5 b) salaries and benefits,
 - 6 c) system equipment maintenance,
 - 7 d) insurance (including director's liability),
 - 8 e) transportation,
 - 9 f) building rental and maintenance,
 - 10 g) professional services,
 - 11 h) miscellaneous,
 - 12 i) capitalized expenses,
 - 13 j) intercompany charges,
 - 14 k) membership fees,
 - 15 l) fuels,
 - 16 m) power purchased,
 - 17 n) depreciation,
 - 18 o) interest. "

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20 The Grant Thornton reports in relation to 2003 and 2004 have been filed in
21 response to CA 94 NLH. The results of their examination of operating and
22 maintenance expense can be found in the 2004 report starting on page 19,
23 and in the 2003 report starting on page 10. The 2005 report is not yet
24 available. Grant Thornton will file a similar report on Hydro's GRA
25 application which will include an examination of the 2006 and 2007 forecasts.