

1    Q.    Reference p. 23 of the Regulated Activities: Evidence and reference Schedule I  
2           to Evidence of J. R. Haynes. Please explain why costs for Engineering are  
3           forecast to increase from \$3,803,000 in 2006 to \$4,665,000 in 2007, which is  
4           approximately \$1 million more than actual costs in 2003 (i.e. \$3,626,000).

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7    A.    The operating expense figures represent the net operating cost, which is  
8           actual cost less salaries charged to capital projects. The salaries charged to  
9           capital projects varies from year to year and is dependant not only on the  
10          magnitude of the capital program, but also on the specific labour required to  
11          administer that program, the complexity of which also varies. A restructuring  
12          late in 2005 resulted in a transfer of staff into Engineering Services from a  
13          department formerly known as Information Systems and  
14          Telecommunications, which accounts for the majority of the difference  
15          between 2003 and 2007.