

1 **Q. DISTRIBUTION**

2  
3 **PUB 45.0**

4  
5 **Please explain why the unit costs data for 2005 as originally filed, and the unit cost**  
6 **data for 2005 as currently forecast appear to be approximately 30% higher than the**  
7 **previous 5 year average.**

8  
9 A. It is assumed for the purpose of this response that the unit cost data for 2005 “as  
10 originally filed” refers to a unit cost of \$2,590 derived from the original 2005 capital  
11 budget estimate for Extensions of \$6,374,000 and the forecast of 2,461 new customer  
12 connections. As noted in the response to PUB 43.0 NP, the 2005 capital expenditure  
13 requirement for Extensions was estimated based on gross new Domestic customer  
14 connections.

15  
16 It is assumed that the unit cost data for 2005 “as currently forecast” refers to a unit cost of  
17 \$2,340 derived from the forecast 2005 capital expenditure for Extensions of \$7,396,000  
18 and the revised forecast of 3,161 new customer connections noted in the *2006 Capital*  
19 *Expenditure Status Report* at Appendix A, page 3 of 5. As noted in the response to PUB  
20 43.0 NP, the revised forecast referred to in the *2006 Capital Expenditure Status Report* is  
21 also based on gross new Domestic customer connections.

22  
23 It is assumed that the 5 year average unit cost referred to in the question is a unit cost of  
24 \$1,958, which is the arithmetic average of the annual unit costs for the period 2001 to  
25 2005F provided in Table 2, page 26 of 81, Schedule B.

26  
27 As noted in the response to PUB 43.0 NP, the estimate of the 2006 capital expenditure  
28 requirement for Extensions is based on gross total customer connections, which includes  
29 new connections for *both* Domestic and General Service customers. In the interest of  
30 consistency, the historical unit costs set out in Table 2, page 26 of 81, Schedule B are  
31 restated unit costs derived from the new base of gross total customer connections.

32  
33 The relatively lower 5 year average unit cost is the arithmetic result of calculating unit  
34 costs on the higher base of gross total customer connections, rather than on a base of  
35 gross Domestic customer connections.