

1 **Q. DISTRIBUTION**

2
3 **PUB 46.0**

4
5 **B-30 Services**

6 **Why is there no unit cost data for “Replacement Services”?**

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8 A. Newfoundland Power does not track the actual number of services replaced. Without
9 information on the number of units replaced, it is not possible to accurately calculate the
10 unit cost of replacing a service.

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12 Prior to 2006, Newfoundland Power projected expenditures associated with Replacement
13 Services utilizing a unit cost based on the total number of customers served. With a
14 customer base of over 200,000 that increases by approximately only 1% per year, this
15 calculation produces a result that is not materially different than a simple arithmetic
16 average of the cost over 5 years.

17
18 For the 2006 capital budget, the Company employed the more straightforward averaging
19 approach. The requirement for Replacement Services was calculated as the average of
20 the actual expenditures over the past five years adjusted as follows:

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22 1) to remove expenditures associated with planned service replacements;
23 2) to account for inflation; and
24 3) to account for the forecast change in the customer base.

25
26 The result of the calculation based on the arithmetic average of annual expenditures on
27 replacements is not materially different than the calculation based on the average unit
28 cost per customer served.