

1 **Q. DISTRIBUTION**

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3 **PUB 48.0**

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5 **B-33 Street Lighting**

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

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8 A. Although the actual number of street lights replaced could be determined without undue
9 administrative effort, Newfoundland Power does not do so because the unit cost approach
10 does not provide better predictive value for budgeting purposes than an approach using
11 average historical costs.

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13 Prior to 2006, Newfoundland Power projected expenditures associated with Replacement
14 Street Lights utilizing a unit cost based on the total number of street lights in service.
15 With a street light base of over 50,000 that increases by less than 1% per year, this
16 calculation produces a result that is not materially different than a simple arithmetic
17 average of the cost over 5 years.

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

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

26
27 The result of the calculation based on the arithmetic average of annual expenditures on
28 replacements is not materially different than the calculation based on the average unit
29 cost per street light in service.