

1 **Q. In Order No. P.U. 19(2003), paragraph 18 of the Order, the Board approved “NP’s**
2 **proposal to amortize over a three-year period, beginning in 2003, regulatory costs of**
3 **\$1,200,000.” Why has the expiration of this amortization, over the same period as**
4 **the depreciation true-up, not been considered in the current Application?**
5

6 A. Newfoundland Power is not seeking relief in relation to operating expenses in the 2006
7 Accounting Policy Application. The Company’s forecast 2006 operating expenses are,
8 however, broadly consistent with those approved for the 2004 test year.
9

10 Please see Attachment A for a detailed comparison of 2004 test year operating expenses
11 to forecast 2006 operating expenses.

Newfoundland Power Inc.

Operating Expenses by Breakdown
2004 Test Year vs. 2006 Forecast
(000's)

	<u>Breakdown</u>	<u>2004 Test Year</u>	<u>2006 Forecast</u>
1	Total Labour	\$ 28,992	\$ 28,343
2			
3	Vehicle Expenses	1,526	1,050
4	Operating Materials	1,572	1,453
5	Inter-Company Charges	650	560
6	Plants, Subs, System Oper & Bldgs	2,151	2,067
7	Travel	1,193	1,060
8	Tools and Clothing Allowance	916	881
9	Miscellaneous	1,626	1,633
10	Taxes and Assessments	848	895
11	Uncollectible Bills	700	800
12	Insurances	1,550	1,773
13	Retirement Allowances	150	100
14	Education, Training, Employee Fees	351	276
15	Trustee and Directors' Fees	346	425
16	Other Company Fees	1,623	1,790
17	Stationery & Copying	347	355
18	Equipment Rental/Maintenance	902	808
19	Telecommunications	1,591	1,738
20	Postage	1,306	1,368
21	Advertising	287	398
22	Vegetation Management	1,020	978
23	Computing Equipment & Software	632	748
24	Total Non-Labour	21,287	21,156
25	Sub total	50,279	49,499
26			
27	Deferred Regulatory Costs	400	-
28	Pension Costs	3,855	5,088
29	2005 ERP Costs	-	1,666 ¹
30	Total Gross Operating Expenses	54,534	56,253
31	Transfer to GEC	(2,100)	(2,100)
32	Net Operating Expenses	\$ 52,434	\$ 54,153

¹ Amortization of the costs related to the 2005 Early Retirement Program were approved by the Board in Order No. P.U. 49 (2004).