

- 1 **Q. Please show Newfoundland Power’s 2010 test year forecast for operating costs and**
2 **compare it to the 2010 actuals. In replying, please provide the Operating Costs by**
3 **Breakdown and provide a detailed explanation for any variances.**
4
5 A. Attachment A provides a comparison of Newfoundland Power’s 2010 test year forecast
6 operating costs by breakdown to the 2010 actual results, including variance explanations.

Operating Costs by Breakdown
Comparison of 2010 Test Year and Actual Results

Newfoundland Power Inc.
Operating Costs By Breakdown
For The Year Ended December 31, 2010

	<u>Actual 2010</u>	<u>Test Yr 2010</u>	<u>Variance 2010 vs Test Yr</u>
Regular and Standby Labour	26,568	27,486	(918)
Regular and standby labour costs in 2010 were lower than test year 2010 mainly as a result of reclassification of OPEB costs. The 2010 actual costs exclude cash OPEBs costs of \$738,000 as referenced in Volume 1: Application and Company Evidence, Section 2.2.1, Customer Operations, footnote 12. The 2010 actual costs were also lower as a result of executive restructuring, offset somewhat by the impact of Hurricane Igor.			
Temporary Labour	1,917	1,623	294
Temporary labour costs were higher than test year 2010 due to replacements for meters readers who were off work, additional technicians to cover higher work loads, and Igor-related work by apprentices. These costs exclude cash OPEBs of \$55,000 as referenced in Volume 1: Application and Company Evidence, Section 2.2.1, Customer Operations, footnote 12.			
Overtime	2,748	1,640	1,108
Overtime costs were higher than test year 2010 as a result of restoration efforts following Hurricane Igor.			
Vehicle Expenses	1,504	1,492	12
Vehicle operating costs in 2010 were in line with the test year forecast.			
Operating Materials	1,271	1,082	189
Higher operating material costs in 2010 were a result of Hurricane Igor, additional materials required for street light maintenance and trash rack cleaning at Hydro Plants.			
Inter-Company Charges	43	40	3
Inter-company charges in 2010 were in line with the test year forecast.			
Plants, Subs, System Oper & Bldgs	1,811	1,952	(141)
System operation costs in 2010 were slightly below the test year forecast. This reflects the impacts of Hurricane Igor on the planned schedule of work.			
Travel	1,124	1,160	(36)
Travel costs in 2010 were in line with the test year forecast.			
Tools and Clothing Allowance	1,139	1,108	31
Tools and clothing allowances in 2010 were in line with the test year forecast.			
Miscellaneous	1,315	1,146	169
2010 miscellaneous costs were higher than test year because of the write-off of deferred costs relating to (1) preliminary work done on the Company's Safety Management System and (2) work relating to a study of the Company's VHF radio system.			

Newfoundland Power Inc.
Operating Costs By Breakdown
For The Year Ended December 31, 2010

	<u>Actual 2010</u>	<u>Test Yr 2010</u>	<u>Variance 2010 vs Test Yr</u>
Conservation	654	581	73
Conservation costs in 2010 were higher than test year due to the popularity of the consumer rebate program.			
Taxes and Assessments	706	750	(44)
Taxes and assessments in 2010 were in line with the test year forecast.			
Uncollectible Bills	801	963	(162)
Uncollectible bills in 2010 were lower compared to test year 2010. Uncollectibles vary from year to year as a result of general economic conditions.			
Insurances	1,094	1,100	(6)
Insurance costs for 2010 were in line with the test year forecast.			
Retirement Allowances	712	325	387
Retirement Allowances in 2010 were higher than test year as a result of severance paid to a member of the Executive as well as a higher than anticipated number of retirements.			
Education, Training, Employee Fees	246	270	(24)
Education, Training and Employee Fees for 2010 were in line with the test year forecast.			
Trustee and Directors' Fees	387	394	(7)
Trustee and Directors' Fees for 2010 were in line with the test year forecast.			
Other Company Fees	1,692	1,904	(212)
Other Company Fees in 2010 were lower than test year 2010 as anticipated litigation costs associated with the Mobile Hydro Development did not materialize.			
Stationery & Copying	299	337	(38)
Stationery & Copying charges in 2010 were lower due to the success of office paper conservation initiatives and growth in customers' opting for electronic correspondence from the Company.			
Equipment Rental/Maintenance	773	721	52
Equipment Rental and Maintenance costs in 2010 were higher due to costs associated with the response to Hurricane Igor.			
Telecommunications	1,614	1,521	93
Telecommunication costs were higher in 2010 as a result of the expanded role of wireless communication devices in field applications.			

Newfoundland Power Inc.
Operating Costs By Breakdown
For The Year Ended December 31, 2010

	<u>Actual 2010</u>	<u>Test Yr 2010</u>	<u>Variance 2010 vs Test Yr</u>
Postage	1,395	1,397	(2)
Postage charges in 2010 were in line with the test year forecast.			
Advertising	1,258	1,431	(173)
Advertising costs were somewhat below test year 2010 as additional funds were redirected to the conservation rebate program to meet customer demand.			
Vegetation Management	1,672	1,550	122
Higher Vegetation Management costs in 2010 over test year reflect the impact of Hurricane Igor.			
Computing Equipment & Software	799	785	14
Computing Equipment & Software charges in 2010 were in line with the test year forecast.			
Total	<u><u>53,542</u></u>	<u><u>52,758</u></u>	<u><u>784</u></u>