

1 **Volume 1, Section 2 – Customer Operations**
2

3 **Q. Please fully describe the company's methodology and process for forecasting of**
4 **expenses for the 2008 test year. As part of the answer please address whether, and if**
5 **so how, NP's methodology and process has changed relative to the methodology and**
6 **process used in its last GRA to forecast test year expenses.**
7

8 A. Newfoundland Power's methodology and process for forecasting operating expenses in
9 the 2008 Test Year has improved since the last GRA due to the introduction of the Great
10 Plains financial system. The Great Plains financial system has greater functionality than
11 the previous system and enables the Company to better coordinate and assemble expense
12 forecasts. Otherwise, the methodology and process used for forecasting operating
13 expenses in the 2008 Test Year is broadly similar to the process and methodology used in
14 the last GRA to forecast Test Year expenses, and in each intervening year to forecast
15 annual expenses.
16

17 Under the supervision of the Manager responsible, the budget coordinator for each
18 department prepares the forecast based on the department's expected requirements, a
19 review of recent trends and specific work plans. Each department forecasts labour costs
20 from work plans and determines regular, temporary and contract labour requirements.
21 The departmental forecast is prepared on both a class and breakdown basis.
22

23 There is typically discussion between Managers, budget coordinators and other
24 departmental staff as the process moves forward. The Finance Department is responsible
25 for the administration of the Great Plains financial system and performs the central
26 coordinating role for the forecasting process.
27

28 Departmental budgets are reconciled to both the labour forces and capital projects on a
29 corporate-wide basis. This process typically results in some transfers of staff between
30 departments to meet various priorities.
31

32 Departmental forecasts are consolidated into a corporate forecast and then reviewed and
33 approved by the Executive.