

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

3 **Q. With reference to Exhibit 1 “Operating Costs by Function: 2002 to 2008,” please**
4 **explain the specific reasons why:**

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- 6 **a. Transmission Costs increased from \$486,000 in 2006 to \$661,000 in 2007 (f)**
7 **and \$750,000 in 2008 (f).**
 - 8 **b. Administration and Engineering Support increased from \$5,315,000 in 2006**
9 **to \$5,466,000 in 2007 (f) to \$5,580,000 in 2008 (f).**
 - 10 **c. Telecommunications increased from \$616,000 in 2004 up to \$1,525,000 in**
11 **2008 (f).**
 - 12 **d. Customer Services increased from \$8,598,000 in 2004 to \$9,094,000 in 2008.**
 - 13 **e. Information Systems increased from \$2,685,000 in 2006 to \$2,826,000 in**
14 **2008 (f).**
 - 15 **f. Corporate and Employee Services increased from \$11,557,000 in 2006 to**
16 **\$11,972,000 in 2008 (f).**

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18 **A. With reference to *Exhibit 1, Operating Costs by Function: 2002 to 2008F*, the specific**
19 **reasons for the cost variances are as follows:**

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21 (a) Transmission (2006 – 2008F)

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23 Transmission expenditures increase from 2006 to 2008F principally because of
24 increased vegetation management preventive maintenance. Expenditures
25 associated with vegetation management on transmission lines is planned to
26 increase by \$175,000 in 2007 and by an additional \$50,000 in 2008. The increases
27 in the cost of vegetation management are explained in the response to CA-NP-87
28 (c).

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30 (b) Administration & Engineering (2006 – 2008F)

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32 Administration & Engineering expenditures increase by approximately 5 percent
33 from 2006 to 2008F due to wage increases offset by productivity improvement.
34 Overall, Administration & Engineering expenditures decline by approximately 29
35 percent from 2002 to 2008F.

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37 (c) Telecommunications (2004 – 2008F)

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39 Telecommunications expenditures prior to 2005 were allocated to each
40 department and allocated to functions based on work carried out by the
41 department. For example, Telecommunications expenditures within the
42 generating plants were charged to the Power Produced function. In 2005,
43 Telecommunications expenditures were consolidated, resulting in an increase in
44 the Telecommunications function, and corresponding decreases in other functions.
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1 Under the Company's System of Accounts, Telecommunications costs are also
2 tracked as breakdown expenditures. (See Evidence, *Volume I, Exhibit 2,*
3 *Operating Cost by Breakdown*). As a breakdown cost, Telecommunications costs
4 increase 0.2 percent from \$1,626,000 in 2004 to \$1,630,000 in 2008F.
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6 (d) Customer Service (2004 – 2008F)
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8 Customer Service expenditures increase by approximately 6 percent from 2004 to
9 2008F. Approximately 54 percent of the increase is attributed to non-labour cost
10 increases in postage (\$165,000), uncollectible bills (\$87,000) and Wrap up For
11 Savings rebates (\$65,000). The remainder is due to an increase in the number of
12 customers served by the Company and wage increases offset by productivity
13 improvement.
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15 (e) Information Systems (2006 – 2008F)
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17 Information System expenditures increase approximately 5 percent between 2006
18 and 2008F due to software maintenance and support costs increasing by \$67,000
19 in 2007 and \$48,000 in 2008. The remaining increase is attributed to wage
20 increases offset by productivity improvement.
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22 (f) Corporate and Employee Services (2006 – 2008F)
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24 Corporate and Employee Services expenditures increase by \$415,000 from 2006
25 to 2008F mainly due to the Public Utilities Board assessment which was \$124,000
26 in 2006 and is forecast to increase to \$480,000 in 2008F. The remaining increase
27 is attributed to wage increases offset by productivity improvement.