

Q. In P.U. 36 (1998-1999) Newfoundland Power, prior to the hearing, reduced its original application from 1.48% to 1.31%. Please advise if any of the rate increase of 1.31% related to regulatory costs and, if so, what portion of the increase was to go toward regulatory costs and the dollar amount.

A. According to Exhibit EAL-2 (Pg. 1 of 2) revised in the November 12, 1998 application filed by the Company, net operating costs were forecast to increase by \$1.3 million from 1998 to 1999. This Exhibit also indicates that "other company fees" (which includes regulatory costs) was forecast to increase by \$705,000.

The detailed breakdown for this category consists of the following:

	(000's)	
	Forecast	
	1998	1999
Other company fees	\$ 1,226	\$ 1,512
Regulatory hearing costs	680	999
Year 2000 related fees	100	200
Total other company fees	\$ 2,006	\$ 2,711

The 1999 regulatory hearing costs noted above included \$384,000 for amortization of the external hearing costs relating to the 1998 hearing. The Company proposed that \$1.15 million of external hearing costs be amortized over a three year period commencing in 1999. In the original filing in 1998, the full \$1.15 million was included in the test year. The deferral and amortization of these regulatory costs over three years resulted in a reduction in this category in the revised filing of \$766,000.

The increase in regulatory costs from forecast 1998 to the test year of 1999 was approximately \$319,000. This increase of \$319,000 in regulatory costs equates to a 0.1% increase in revenue requirement for the 1999 test year.