

1 **Q. DISTRIBUTION**

2
3 **PUB 28.0 (RE: B-31, B-33, B-35, B-37, B-47)**

4
5 **PUB 28.1**

6 **Provide working calculations for the “historical” based costs contained in each of**
7 **the above projects.**

8
9 A. The Extensions (B-31) capital budget project is calculated on the basis of an average
10 extension cost per new customer, or unit cost, derived from historical expenditures
11 adjusted for inflation. The calculation of the “average historical expenditure” (unit cost)
12 for this capital budget project is based on total gross new domestic customers. The
13 detailed calculations are outlined in Attachment A.

14
15 The Services (B-35) and Street Lighting (B-37) capital budget projects contain a
16 component representing new customer requirements. The calculation of the “average
17 historical expenditure” for these capital budget components is also based on total gross
18 new domestic customers, and the detailed calculations outlined in Attachment A.

19
20 The Services and Street Lighting capital budget projects also contain components
21 representing replacements for existing customers. The calculation of the “average
22 historical expenditure” of these components employs the calculations outlined in
23 Attachment A as well, but is based on total domestic customers and total street lighting
24 fixtures, respectively, instead of total gross new customers.

25
26 The Meters (B-33) capital budget project is not based on historical costs. The budget is
27 estimated based on the current cost of meters.

28
29 The only portion of the Relocate/Replace Distribution Lines for Third Parties (B-47)
30 capital budget project that is based on historical expenditures is a component for work
31 related to road realignments, vehicle accident damage and requests from customers. This
32 component, which constitutes approximately one-third of the 2005 proposed expenditure
33 of \$734,000, is estimated by regional staff based on historical expenditures and judgment.
34 The estimate is not formula-based. As noted in the response to Request for Information
35 PUB 17.1 NP, the year over year volume of work requested by third parties is highly
36 variable, and the historic average is a poor predictor of work requirements.

37
38 The remainder of the Relocate/Replace Distribution Lines For Third Parties budget is
39 based on planned work resulting from projections provided by Aliant Telecom and the
40 cable television companies as to the pole replacements and upgrades they will require in
41 2005.

Requests for Information

The “average historical expenditure” is calculated on a dollars per customer basis for each year. Appropriate escalations are made over the historical five-year period to adjust for changes in labour rates and inflation. The average historical expenditure is calculated on a \$/total customer basis as follows:

Historical Labour per Customer =
$$(\text{Historical Actual Labour Cost} - \text{Special Projects Labour}) / \text{Customers}^1$$

Historical Non-Labour per Customer =
$$(\text{Historical Actual Non-Labour Cost} - \text{Special Projects Non-Labour}) / \text{Customers}^1$$

Total Historical Expenditure per Customer =
$$\text{Historical Labour per Customer} + \text{Historical Non-Labour per Customer}$$

Average Historical Expenditure per Customer =
$$\text{Sum of Total Historical Expenditures for past 5 years} / 5$$

¹ For Extensions, new Services and new Street Lights, “Customers” refers to total gross new domestic customers; for replacement Services, “Customers” refers to total domestic customers; and for replacement Street Lights, “Customers” refers to total fixtures.