

Overview of Company's O&M Expenses

GPC's proposed O&M expenses are reflected in the attached schedule. The Company's proposed adjustments to the Base Period expense reflect the changes to rate base proposed by the Company. Production O&M, Transmission O&M, Distribution O&M and General & Intangible O&M expenses include items related to the Company's proposed changes to its rate base (See Exercise 1).

In addition to rate base related items, GPC has entered a contract to purchase an additional 150 MW of on-peak capacity from Downstream Electric Co. This purchase would take place over a pre-existing transmission line and would not be scheduled over the new transmission line interconnecting Downstream Electric Co. and GPC. Purchases are scheduled to commence on March 1, 1998 when the system peaks will begin to exceed available capacity.

The company expects certain growth in all customer classes. This growth is shown in the Operating Data. The associated growth in energy production is reflected in the O&M data.

The Company has included an increase of \$25,000 in industry dues for dues owed to the Global Reliability Council.

Because Parliament is considering legislative changes to increase the powers of the regulatory Commission and to fund a new consumer advocate office, the company has increased its expected political contributions by \$35,000 to \$100,000. Advertising expenses have also increase by \$28,000 to cover the cost of the Company's advertising campaign aimed at getting the Parliament to not pass this legislation.

Increases in Property Taxes are related to changes in rate base.