

1 **Q. Grant Thornton's 2002 Annual Financial Review of Hydro**

2 Page 19, System equipment maintenance - Given that:

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4 "The lubricants, gases and chemicals expense was higher than anticipated
5 (in 2002) because of increased production during the year at the Holyrood
6 Plant";

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8 and that,

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10 "The increase for the transmission and rural operations division for 2002 as
11 compared to 2001 is primarily due to certain non-recurring extra maintenance
12 requirements in the Central and Northern regions of the Province during
13 2002",

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15 Is it reasonable to conclude that costs in these areas should be reduced in
16 2004, and if so, by how much?

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19 **A.** Typically, the cost of the lubricants, gases and chemicals at Holyrood would
20 be less in a year when there is less production expected. The 2004 estimate
21 do not reflect this due to a required change in two chemicals used at the
22 plant. One chemical replaced was Cortrol, and the replacement chemical
23 effected an approximate \$50,000 increase in cost. The second replacement
24 was to alleviate an excess organics problem in the raw water clarification
25 process at an additional cost of \$45,000, which has proven to be successful
26 in alleviating the fouling problem precipitated by the high organic content.

1 The System Equipment and Maintenance cost for TRO has been reduced in
2 2004 by approximately \$1 million over 2002 actuals, as indicated in Schedule
3 V of Transmission & Rural Operations Pre-filed Evidence.