

1 Q. Reconcile the expenses associated with the enhancement of the fire
2 protection system at Holyrood, the additional work in the Holyrood waste
3 treatment plant and salary increases to the 3.7% (4.2%-0.5%) increase in
4 2004 net operating expenses from 2002. (JRH p. 19, line 20)

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7 A. Net operating expenses are expected to increase by 4.7% in 2004 from
8 2002. (4.2% from 2002 to 2003, plus 0.5% from 2003 to 2004).

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10 Although additional work is required in the Holyrood waste water treatment
11 plant (\$85,000) as well as an enhancement of the fire protection system
12 (\$200,000), among other maintenance activities, there is no major overhaul
13 scheduled for any unit at Holyrood for 2004 so the increase is not as large as
14 it otherwise might have been.

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16 While there have been scale increases provided for employee salaries there
17 has been an increase in the vacancy allowance to provide for anticipated
18 future reductions which is already reflected in the revenue requirement.