

1 Q. **RE: p. B-110** Provide a Cost Benefit Analysis for the work to be completed  
2 by acquisition of this equipment, including internal labor costs for its use, as  
3 opposed to contracting out the service.

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6 A. There was no formal cost benefit analysis done for this proposal. The  
7 decision to purchase the equipment was based on the straight comparison of  
8 costs/unit for contract services versus costs/unit for the Hydro owned  
9 equipment. For contracted out services, the contractor requires two workers  
10 to operate the equipment, and Hydro requires one worker on site to hold the  
11 safety permits and ensure the contractor does not damage or affect Hydro's  
12 operations. A total of three workers are therefore required on site at all times,  
13 when using contracted services.

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16 With the 'Hydro owned' option, two Hydro workers would be required to  
17 operate the equipment, and they would also hold the safety permits, etc. So  
18 the costs/unit would be reduced by one worker, plus the contractor's  
19 overhead, profits etc.

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22 With the contracted services, the equipment has to be transported in from out  
23 of the province and the timing and scheduling of work for Hydro has to be  
24 coordinated with services the contractor is providing to other customers.

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27 These situations severely limits the number of units that Hydro can process  
in any one year. By owning its own equipment, and in addition to the reduced  
costs, Hydro will have much greater flexibility to plan and schedule the  
processing work, make more effective use of outage times, and be able to  
process more units per year than what the cost comparisons were based on.