

1 Q. Reference p. 22 of the Regulated Activities: Evidence and reference
2 Schedule I to evidence of J. R. Haynes. Please explain why Hydro
3 Generation operating expenses are forecast for the 2007 Test Year at
4 \$8,051,000 which is approximately \$500,000 more than forecast for 2006
5 and significantly in excess of the actual expenses incurred from 2002 to 2005
6 which varied over that period from \$6.8 million to \$7.3 million.

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9 A. There are requirements for ongoing operating project work in Hydro
10 Generation for the various aging plants, which will cause some variation in
11 the year over year operating expense. The approximate 6% increase in
12 Hydro Generation's cost for 2007 is partially driven by additional expenses
13 related to fish habitat monitoring at Granite Canal, required by the
14 Department of Fisheries and Oceans which are expected to continue. As
15 well, there are operating projects planned for 2007, which are also expected
16 to continue beyond 2007 such as surge tank painting, vegetation
17 management, pipe replacement programs, and road and bridge repairs.