

1 Q. At p.22 of the Regulated Activities: Evidence, it states that the thermal
2 generation operating costs are forecast in 2007 to be \$17.3 million and that
3 "These costs are primarily driven by an increase in maintenance at the
4 Holyrood plant due to a scheduled major overhaul of Unit 3 in 2007 at a
5 budgeted cost of \$2.7 million". Once this major overhaul is completed in
6 2007, does Hydro anticipate that its Thermal Generation operating expenses
7 will decline in 2008 and 2009, and if so, by how much? If not, why not?
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10 A. It is anticipated that the Thermal Generation operating expenses will decline
11 somewhat in 2008 due to the completion of the overhaul of Unit 3 in 2007.
12 Operating budget preparation for 2007 considered the appropriate levels of
13 system equipment maintenance required in Thermal Generation for 2007,
14 and where possible operating projects that had some flexibility were moved
15 to prior and subsequent years in efforts to minimize peaks in expenses.
16 These considerations are done during budget preparation and are
17 coordinated with other corporate operating budgets to smooth annual
18 variances to the extent possible.
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20 Hydro cannot say with certainty whether thermal generation cost will decline
21 in 2008 and in fact, due to follow-up from the 2006 Unit 2 failure, expects
22 upward pressure. This is due to acid washing requirements for Units 1 and 3.
23 As well, there will likely be other upward pressure associated with
24 maintenance of this aging plant if Hydro is to ensure safe and reliable
25 operation. Overall, due to the aging assets, the corporate wide system
26 equipment maintenance budget is not expected to decline.