

1    Q.    **Re: Marine Terminal Refurbishment**

2            On what basis does Hydro contend that Hydro's customers should be put to the  
3            expense of this project in light of Hydro's error.

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6    A.    In hindsight, Hydro acknowledges that an error was made when it was decided to  
7            install a heat trace cable with a HDPE jacket back in 2002 that was not suitable for  
8            the application. That decision was made by an individual in good faith under the  
9            belief that it would improve the installation by reducing the potential for corrosion  
10           without knowledge of the overheating implications. In addition, proper  
11           consideration was not given to Tyco's letter dated May 2002 (copy provided under  
12           P2-CA-NLH-47) which identified negative implications related to potential  
13           overheating of the cable sheath if modification to the EHT system configuration  
14           were made as were being considered at the time.

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16           Hydro believes that when performing business activities it is normal and expected  
17           that some errors and misjudgements will be made from time to time and processes  
18           are always subject to improvement. However, errors should be kept to a minimum  
19           and tolerance for such errors should also be kept to a minimum. Hydro has  
20           restructured its technical staff to improve overall efficiency and performance. It is  
21           intended that this will translate into improved technical performance that will  
22           reduce the potential for errors such as what took place in 2002. In Hydro's view,  
23           the costs associated with correcting errors that occur in good faith in the design and  
24           operation of a complex system should be recoverable from customers.