Q. **Reference RFI IC-NLH-024 (rev 1), attachment 1, page 2 of 4**

Please detail the reasons for the 8.3% increase in hydraulic generation expense between 2013 and 2014 and a further increase 4.8% increase from 2014 to 2015.

A. Hydraulic generation expenses have increased by $0.9 million, or 8.3%, from 2013 to 2014, and increased $0.6 million, or 4.8%, from 2014 to 2015. Please see Table 1 below, for a breakdown of the increase according to cost type.

Table 1

	Increase (decrease) Actual 2013 to Test Year 2014		Increase (decrease) Test Year 2014 to Test Year 2015	
Cost Type	**($000s)**	**percentage**	**($000s)**	**percentage**
Salary and Benefits	265	3.1%	654	7.5%
System Equipment Maintenance	321	21.3%	(91)	-5.0%
Other Operating Expenses	326	32.7%	3	0.2%
Total	**912**	**8.3%**	**567**	**4.8%**

Hydraulic generation salary and benefit expenses increased $0.3 million, or 3.1% from 2013 to 2014, mainly due to salary increases. System and equipment maintenance costs increased $0.3 million, or 21.3% from 2013 to 2014 mainly due to an increase in operating projects. This increase in operating projects resulted in an increase of $0.2 million in contract labour costs and $0.1 million in material costs. Operating project activity from 2013 to 2014 increased due to an increase in Asset Management Condition Assessments. Other operating expenses increased by $0.3 million, or 32.7%, due to an increase in consulting costs of $0.2 million related to operating projects, as well as travel and relocation expenses, which account for $0.1 million of the increase.

Hydraulic generation salary and benefit expenses increased by $0.7 million, or 7.5% from 2014 to 2015. The increase was caused by negotiated pay raises and the planned addition of two new operating FTEs. System equipment maintenance costs offset the above noted increases, decreasing by $0.1 million, or 5%, from 2014 to 2015. This was due to a decrease in contract labour, as well as expenses associated with lubricants, chemicals and gases.