

1 Tab G – Plan of Projected Operating Maintenance Expenditures

2 Q. If, as NLH submits, it is not possible to “levelize” the cost of maintaining the
3 Holyrood plant (see page G-4), comment on whether the capital expenditures
4 should be averaged for the purposes of setting rates?

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7 A. The report “Plan of Projected Operating Maintenance Expenditures 2006 –
8 2015 For Holyrood Generating Station”, dated July 2005 and filed under Tab
9 G, provides the anticipated operating expenses based on normal operation of
10 the plant. It does not include capital expenses. Significant operating
11 expenditures may, however, contribute to the generation of capital budget
12 proposals where continued operating expenses justify capital replacements.

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14 The capitalization of expense by its very nature levelizes the expense over
15 time. For instance a \$10,000,000 expense capitalized on a straight-line
16 basis for 20 years would see a \$500,000 annual depreciation expense for its
17 20-year life.