

Memo



To Troy Forward - IMO **Date** 31 October 2008
From Sinclair Knight Merz **Project No** HA01128
Copy
Subject **Additional information regarding Generator O&M Cost Escalation**

Dear Troy,

Please find on the following page Generator O&M Cost Escalation figures as requested.

Yours sincerely

Tim Edwards.

Sinclair Knight Merz

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Generator O&M Cost Escalation

Western Australia has experienced significant rises in its state specific Labour Price Index between 2007 and 2008, as a direct result of the resources boom tightening its grip on an already constrained WA labour market. With typical non operator blue collar labour elements being considered easily transferable between the Energy Utilities and Mining sectors, SKM are confident that the increase in the labour cost element of this escalator is highly representative of the component of a Power Station's costs it is designed to quantify .

Significant rises in both CPI, (at 4.5% year to June 2008) and the Labour Price Index for WA (at 5.6% year to June 2008), have lead to a notable rise in the 2007-2008 composite escalator for O&M, when compared to the 2006-2007 rate.

These indices have been compounded for each cost element in proportion to the ratio of the make up costs for which the indices are applicable. The compound escalator for the gas turbine plant fixed O&M is determined at:

- **2005-2006:** 4.25%
- **2006-2007:** 3.45%
- **2007-2008:** 5.16%

All costs are presented as mean values \pm 10 %