

1 Q. In the Board's Decision for P.U.7 (No. 27), NLH was directed to reduce  
2 "other costs" for the test year by \$2 million to reflect a productivity allowance.

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4 (a) Has NLH allowed for any productivity allowance in this rate  
5 application?

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7 (b) What does NLH propose for the Board's consideration as a  
8 reasonable productivity allowance for inclusion in this application?

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11 A. (a) Hydro has not allowed for any productivity allowance in this  
12 application.

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14 (b) Hydro does not believe there is any justification to impose a  
15 productivity allowance in this application. The evidence, as filed,  
16 indicates Hydro's commitment to improving business processes and  
17 optimizing corporate performance, and clearly demonstrates the  
18 results of actions taken in improving efficiencies related to "other  
19 costs" as defined by the Board. It is also clear in the evidence filed  
20 that performance measures are in place to monitor the ongoing  
21 continuous improvement process. Opportunities to leverage  
22 technological innovation, to reorganize to increase efficiencies and to  
23 reduce operating costs, are part of the continuous improvement  
24 program. The imposition of a productivity allowance at this time would  
25 not, as posed in the question, be justified.