

1    Q.    **Grant Thornton's Prefiled Evidence**

2            Page 39 lines 42-43 states that, "The payroll costs charged to capital are  
3            forecast in 2004 to decrease from 2002 by \$2.653 million." Page 39, line 45  
4            to page 40, line 2 goes on to say that this is a result of the completion of  
5            large capital projects such as Granite Canal and the Avalon Upgrade, and an  
6            initiative by Hydro to reduce the number of internal staff utilized on capital  
7            projects in future. Does this mean that Hydro intends to use more external  
8            contractors for capital work?

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11    A.    Hydro evaluates each capital project to determine whether it would be most  
12            effectively carried out using internal resources or external contractors. Grant  
13            Thornton's remark with respect to an initiative to reduce the number of  
14            internal staff utilized on capital projects in future is to Hydro's understanding,  
15            applicable only to the information systems area where the decision has been  
16            made that Hydro staff will not be the principal developers for major software  
17            development projects.