

1 Q. On Page 12 lines 2 to 4 of the Corporate Overview evidence it states “The
2 chart demonstrates that Hydro has achieved performance gains since total
3 costs are tracking below overall inflation across the period.” Provide a brief
4 description of the operational efficiencies, and the net benefits associated
5 with each initiative that has contributed to these performance gains during
6 the period 2000 to 2004.

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9 A. Chart 5 of the Corporate Overview evidence provides a high level view of
10 how Hydro’s controllable unit costs are tracking relative to inflation. The
11 primary efficiency that Hydro is achieving is traceable to a reduction in
12 staffing levels and associated expenses as presented in Chart 1 and
13 discussed in section 3.2 of the Corporate Overview evidence. Where
14 corporate costs change at rates that are below the general inflation rate, the
15 real (i.e. inflation adjusted) cost is declining and this is an efficiency gain
16 respecting corporate performance.

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18 The pre-filed evidence includes a description of various initiatives that have
19 resulted in operational efficiencies.