

1 Q. With regard to Mr. Martin's evidence (Chart 5 on page 13), does Hydro
2 believe that its operational costs are the best indicator for gauging its
3 productivity trends? If not, what does Hydro believe to be the best indicator of
4 its productivity trend?

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7 A. The relative trend of Hydro's operational cost against inflation is one of a
8 number of measures of corporate performance which Hydro considers a
9 good indicator overall. As presented in Exhibit JRH-1, Hydro also utilizes
10 other more direct factor productivity measures relating its operating expenses
11 to total energy delivered, and to the asset bases that create the requirement
12 to incur operating expense. Hydro tends to focus more on operating
13 expenses when monitoring corporate performance since these expenses are
14 controllable to varying degrees across shorter or longer time periods. By
15 contrast, factor productivity measures relating to fuel and capital represent
16 more external influences on costs, but are nonetheless important when
17 viewing the full cost profile of utility operations.