

1 Q. With respect to the 2005 Key Performance Indicators report, please provide  
2 the total controllable costs and MWh of generation used to calculate the  
3 Controllable Unit Cost on page 15 of the report. Please indicate which costs  
4 are included in "Controllable Costs". Please describe any operational  
5 measures Hydro can take to improve its Controllable Costs per MWh, with  
6 particular reference to such measures undertaken in 2005. Please indicate  
7 what, if any, O&M costs Hydro does not consider "controllable costs" and  
8 indicate why.

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10

11 A. Hydro has used the term controllable cost to indicate the level of corporate  
12 costs over which it has some measure of management control subject to time  
13 and technology constraints and adjustment periods. In the short run, some  
14 costs are more controllable and some costs are less controllable. For  
15 example, system equipment maintenance would not generally be considered  
16 controllable in the short run, but would be in theory for the longer period due  
17 to capital and/or technology substitution. Labour expense could be regarded  
18 as more controllable in the medium term through changes in Hydro's labour  
19 complement. In the very short or immediate term, controllable costs would  
20 refer to true discretionary expenditures such as some travel expenses,  
21 curtailment of non-emergency overtime authorization, and other  
22 miscellaneous costs that would not necessarily impact on service quality in  
23 the short run.

24

25 Controllable costs include Hydro's operating expenses excluding fuel and all  
26 capital related charges, as outlined in Finance and Accounting: Evidence  
27 Schedule I page 10 of 10.

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	2001	2002	2003	2004	2005
Energy Delivered* (GWh)	7,019	7,163	7,380	7,534	7,445
Controllable Costs (000s)	\$88,870	\$91,228	\$89,789	\$88,728	\$92,991
Controllable Unit Cost (\$/MWh)	12.67	12.74	12.17	11.78	12.49

\*Normalized for weather, customer hydraulic production and industrial strikes.