

1 Q. **Volume 1 (1<sup>st</sup> Revision), Chapter 3: Operations**

2 On Page 3.34, Hydro states:

3 *“Hydro’s approved 2015 Test Year operating costs was*  
4 *\$132.7 million, which included a disallowance of \$6.8*  
5 *million. As noted in Figure 3-2, using Hydro’s 2015 Test*  
6 *Year (as submitted), forecast operating costs escalated*  
7 *using inflation would be \$148.5 million in the 2019 Test*  
8 *Year.*

9 *Hydro’s 2019 Test Year forecast is \$145.3 million, which*  
10 *reflects Hydro’s renewed focus and commitment to cost*  
11 *control.”*

12 Please explain why Hydro considers submitted 2015 test year costs before cost  
13 disallowances ordered by the Board to be relevant in evaluating cost control.  
14 (Volume I (1st Revision), Chapter 3: Operations, Page 3.34,  
15 Lines 2-8)

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18 A. The 2015 Test Year costs, before the disallowances, are relevant as they  
19 represented Hydro’s planned operations in 2015 which included the required staff  
20 complement and required costs. Test Year disallowances, received in late 2016, did  
21 not result in adjustments to those operational plans or the elimination of those  
22 costs in 2015.