

1 Q. **Reference: RFI V-NLH-10**

2 Section 1.4.1.1, page 1.20, line 8 states that inflation has averaged 2% annually over
3 the period 2007 to 2013. TRO expenses averaged an increase of about 4% annually
4 over the same period, even after removing the \$1.2 million associated with the
5 transfer of inventory and stores employees. When does Hydro expect the TRO
6 expenses to decrease to at or below inflationary levels?

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9 A. TRO's expenses have been increasing higher than inflation since 2007 mainly due to
10 expenses related to addressing additional costs related to aging infrastructure,
11 maintenance activities for additional assets due to customer growth, increased
12 vegetation management costs and higher than expected vehicle fuel costs. The TRO
13 expenses will continue to be managed to ensure least cost operation. However,
14 maintaining costs within inflationary levels depends on many factors including
15 growth in customer demand and the operating and maintenance costs of the
16 additional infrastructure required to meet those demands.