

1 Q. Explain whether the revenues and costs of these three additions to
2 generation capacity, and therefore to rate base, are consistent with Hydro's
3 proposed financial targets.

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6 A. The capital costs associated with the Granite Canal project will form part of
7 Hydro's rate base in 2003, as the project comes in service in that year, and
8 will be included in Hydro's overall calculation of rate of return on rate base.
9 Operating costs associated with this project, including depreciation and
10 interest, will be included in Hydro's overall revenue requirement that is to be
11 recovered from customers.

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13 Costs associated with ACI Beeton and Bishops Falls Upgrade and Corner
14 Brook Pulp and Paper cogeneration do not form part of Hydro's rate base as
15 these facilities are not owned by Hydro. The power purchased cost that
16 Hydro incurs from buying power from these entities will form part of Hydro's
17 overall revenue requirement that is to be recovered.