

1     Q.     On page 2 of the Corporate Overview evidence given by William E. Wells it  
2           states that the balance in the new RSP account at the end of 2003 is  
3           projected to be in excess of \$60 million. Please indicate the effects on  
4           revenue requirement for 2004 and 2005 if this balance were to be recovered  
5           over a five-year period as opposed to the two-year period directed by P.U. 7?  
6           Please include additional financing costs?

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9     A.     The revenue requirements effects of extending the recovery period for the  
10           2002/2003 RSP activity from two years to five years would be minimal, in that  
11           the RSP is essentially self-financing. There may be a change in the timing of  
12           borrowing requirements under this scenario, which could impact Hydro's  
13           return on debt. However, most of the impact would remain in the plan, rather  
14           than affecting Hydro's overall revenue requirement.

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16           For the purpose of this request, sales for 2008 and 2009 were assumed to  
17           remain the same as those forecast for 2007, as there is no operating load  
18           forecast available for years after 2007. Also, it has been assumed that the  
19           weighted average cost of capital is that proposed in the May, 2003 filing.  
20           Using these assumptions, recovering the RSP over five years rather than two  
21           would result in additional financing costs of \$10.4 million.