

1 **Q. Has Grant Thornton reviewed the reasonableness of an increase in Hydro's**
2 **reported debt costs from 2002 to 2004 (from page 12 of Grant Thornton General**
3 **Rate Hearing review) given the overall reduction in long-term interest rates**
4 **occurring during this period. The response to IC-238 indicates Hydro's largest**
5 **components of debt (Canadian Bond Interest) reducing in average cost since 2002.**
6 **Grant Thornton indicates they have "vouched the individual components" of the net**
7 **interest expense – what review has Grant Thornton conducted of the "average total**
8 **debt" numbers (as detailed in IC-238) and the reasonableness of the various average**
9 **balances reported for "loss on exchange", "discount and issues expenses", "CFLCo**
10 **Interest", and "Sinking Funds". Is Grant Thornton of the opinion that these values**
11 **are likewise reasonable and calculated correctly?**
12

13 **A.** As indicated in our report our procedures with respect to embedded cost of debt and
14 interest expense included vouching the various components to supporting documentation
15 and checking the Company's calculations. Our procedures did not include detailed
16 verification of each individual component of net interest expense and average total debt.
17 Our review focused on assessing overall reasonableness of these amounts as contained in
18 the Company's application. As a result of completing our procedures nothing has come
19 to our attention to indicate that these amounts are unreasonable.
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21 With respect to the average debt numbers and average balances contained in the response
22 to IC-238, we have noted some discrepancies within the details of pages 2 and 3 of IC-
23 238. However, with regard to the total average debt balances and the overall interest
24 expense included on these schedules, we advise, as noted above, that nothing has come to
25 our attention to indicate that these amounts are unreasonable.