

**Re: Page 4, line 9**

Q. What was the basis of the conclusion that RSP balances owing are funded only by Hydro's short term borrowing program?

A. Mr. Osler and Mr. Bowman did not conclude that Hydro's RSP borrowings are funded only by Hydro's short-term borrowing program. However, Mr. Osler and Mr. Bowman's pre-filed testimony at Attachment D reflects that RSP-type balances are normally considered by utility regulators to only attract costs at a lower short-term borrowing rate rather than a long-term capitalization cost of debt and equity. This appears to reflect both the fact that these balances operate and vary over short-term horizons (i.e., they are not long-term assets to the utility) and that to the extent that RSP balances arise outside of test years, one would not normally expect the utility to raise long-term equity or issue long-term debt to finance these short-term fluctuating balances.