

1 Q. Should the fact that Hydro was unable to maintain its targeted debt to equity
2 ratio as proposed in 2001, and continuing inability to secure from
3 Government its commitment to adhere to the company's dividend policies,
4 impact the determination of what a fair and reasonable return should be for
5 Hydro? **(JCR p. 11, line 6)**
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8 A. No, it should not be a factor. Ms. McShane's approach to the determination
9 of a fair return and Hydro's decision to limit its requested rate of return on
10 equity to that approved for Newfoundland Power ensures that the effect of
11 the payment of dividends does not adversely impact the ratepayer.