

1 Q. (a) Please reconcile (i) Schedule IV of Mr. Bradbury's Finance and
2 Accounting: Evidence with (ii) the last schedule in Hydro's response to
3 NP-27. The former projects the planned \$225 million debt issue in 2006
4 (to mature in 2016) to carry a coupon rate of 4.50%. The latter uses a 5.00%
5 coupon rate for the same planned issue, but, in every other respect
6 including the resultant embedded cost of debt, is **identical** to the former
7 schedule. How can a changed coupon rate assumption for a \$225
8 million debt issue put on Hydro's balance sheet during 2006 not change
9 the calculated embedded cost of debt for 2007?

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11 (b) Please explain why the coupon rate referred to in (a) was changed and
12 provide the evidentiary basis for this change in light of the fact that both 10-
13 year and long-term Canadian interest rates have generally declined by a
14 significant amount over the period from July 2006 to the present.

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17 A. (a, b) The 4.5% coupon rate as contained in the Schedule IV as filed was a
18 typographical error. The assumed coupon rate for the new issue in
19 computing Hydro's cost of debt as filed was in fact 5.0%. The details
20 of the interest on the new issue were contained in the response to
21 IC 116 NLH and showed total interest cost of \$11,250,000 on a face
22 value of \$225,000,000 which is equal to 5%.