1 2	NLH 19 Ca 2006 NLH General Rate Applicatio	
3	Page 1 of	
	1 age 1 or	1
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7	Q: Re: Page 2, lines 34 – 37 and Exhibit MGB-1, Table 1, Page 3.	
8	Q. Tell Tage 2, miles 5 1 57 and Emiles 110B 1, Table 1, Tage 5.	
9	(a) Is it Dr. Cannon's proposal that the cost rate applied to debt would be adjusted	
10	annually during the term of the Automated Adjustment Mechanism?	
11	, e	
12	(b) If the answer to (a) above is yes, on what basis would that rate be adjusted?	
13		
14	(c) If the answer to (a) above is no, is Dr. Cannon then suggesting that the cost rate	
15	applied to debt would be preset in year one for each year of the four-year term?	
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22	A: (a) Yes, it would be adjusted annually to be equal to that embedded cost of debt (ECD))
23	value, established during the current hearing, for that particular year during the	
24	operation of the Automatic Adjustment Mechanism (AAM). As the ECD rate	
25	would be preset or pre-established during the current hearing, there would be no	
26	need for new evidence about the ECD to be submitted to, reviewed by, or acted	
27	upon by the Board during the term of the AAM.	
28	(h) Cas anguarta (a)	
29 30	(b) See answer to (a).	
31	(c) Yes, Dr. Cannon is recommending that the ECD rate for each prospective year	
32	during the term of the AAM be preset at this hearing.	
34	during the term of the Mari be present at this hearing.	