

Q: Re: Page 2, lines 34 – 37 and Exhibit MGB-1, Table 1, Page 3.

- (a) Is it Dr. Cannon's proposal that the cost rate applied to equity would be adjusted annually during the term of the Automated Adjustment Mechanism?
- (b) If the answer to (a) above is yes, on what basis would that rate be adjusted?
- (c) If the answer to (a) above is no, is Dr. Cannon then suggesting that the cost rate applied to equity would be preset in year one for each year of the four-year term?

A: (a) Dr. Cannon has filed no evidence and made no proposal with respect to the mechanism to be used to adjust the "cost rate applied to equity", or the allowed return on common equity, during the term of the Automatic Adjustment Mechanism. Nor has Dr. Cannon expressed any objection to Hydro's proposals in this regard.

(b) See answer to (a).

(c) See answer to (a).