

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

- (a) Is it Dr. Cannon's proposal that the capital structure ratios would remain fixed at test year levels throughout the term of the Automated Adjustment Mechanism?
- (b) Is it Dr. Cannon's proposal that the structure of the rate base and total rate base would remain fixed at test year levels during the term of the Automated Adjustment Mechanism?
- (c) Is it Dr. Cannon's proposal that the Weighted Average Cost of Capital would be re-computed annually during the term of the Automated Adjustment Mechanism based on revised cost rates for debt and equity?
- (d) Is it Dr. Cannon's proposal that the revised Weighted Average Cost of Capital would then be applied to compute a revised rate of return on rate base annually during the term of the Automated Adjustment Mechanism?
- (e) Is it Dr. Cannon's proposal that should the rate of return on rate base computed fall outside the revised allowable return on rate base range, that the revised return on rate base would then become the mid-point of a new allowable return on rate base range, and that rates would be adjusted accordingly for the forthcoming year?

A: (a) Dr. Cannon has made no proposal about the appropriate capital structure ratios to use throughout the term of the AAM. Nor has he expressed any objection to Hydro's proposal in this regard.

(b) Dr. Cannon has made no proposal about the appropriate structure of the rate base and total rate base during the term of the AAM. Nor has he expressed any objection to Hydro's proposal in this regard.

(c) Yes, Dr. Cannon proposes that the weighted average cost of capital (WACC) be re-computed annually during the term of the AAM based on (i) the revised or updated allowed return on common equity and (ii) the pre-established embedded cost of debt (ECD) value for that particular year. With respect to clause (ii), please see Dr. Cannon's response to NLH 19 CA for further details.

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- (d) Dr. Cannon has made no proposal with respect to how annual revisions to Hydro's WACC would be flowed through to its rate of return on rate base (RORB). Nor has he filed any evidence to dispute the procedure Hydro proposes in this regard in Exhibit MGB-1.
- (e) Dr. Cannon has made no proposal with respect to how the annually re-computed return on rate base (RORB) would impact the allowable return on rate base range and, hence, customer rates. Nor has he filed any evidence to dispute the procedure that Hydro proposes in this regard in its Exhibit MGB-1.