

Q: Re: Exhibit MGB-1, Table 1, Page 3.

- (a) All other things being equal, would Dr. Cannon's cost rate of equity for 2008 change in the event that, during the review of the Automatic Adjustment Mechanism in the fall of 2007, it is determined that Hydro's cost of issuing long-term debt (30-year term) on the first ten trading days in the month of October is 8%?
- (b) Would that require a recalculation of the Weighted Average Cost of Capital and rate of return on rate base?
- (c) If so, please reflect the changes that would flow from such revised assumptions in a table similar in format to Table 1, page 3 of Exhibit MGB-1.
- (d) If this revised calculation results in a return on rate base outside of the range, please confirm that a change in rates (effective January 1) would result?

A: (a) Dr. Cannon has not provided any evidence with respect to Hydro's "cost rate of equity for 2008", nor indeed has he made any attempt to estimate it in his preparation for this hearing. Consequently, he cannot speculate on what "change" he might make to a figure he had not previously thought about or estimated.

(b) See answer to (a).

(c) See answer to (a).

(d) See answer to (a).