Q: Re: Exhibit 4-A, Page 22.
On what basis has Dr. Cannon assumed that promissory notes outstanding in the amount of $244.6 million at the end of 2010 is an appropriate level of exposure to short-term variable interest rates?

A: Dr Cannon did **not** state or assume that “promissory notes outstanding in the amount of $244.6 million at the end of 2010 is an appropriate level of exposure to short-term variable interest rates.” This figure simply falls out as a residual balancing item from his financial statement modeling of Hydro’s regulated operations where, in the absence of Hydro’s five-year financial projections, Dr. Cannon assumed that Hydro’s average total net debt would remain at $1,267 million throughout the 2007-to-2010 period. Now, with the benefit of Hydro’s five-year financial projections, Dr. Cannon is forecasting that the balance of promissory notes at the end of 2010 will be $70.6 million (see revised Schedule 4-A attached to his Response to NLH 22 CA), which does not pose any undue risk to Hydro’s regulated earnings.