1 2	NLH 24 CA 2006 NLH General Rate Application
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8	Q: Re: Exhibit 4-A, Page 22.
9	On what basis has Dr. Cannon assumed that promissory notes outstanding in the
10	amount of \$244.6 million at the end of 2010 is an appropriate level of exposure to
11	short-term variable interest rates?
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16	A. Dr Cannon did not state on assume that "manifessory notes sutaten ding in the amount of
17 18	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
18 19	variable interest rates." This figure simply falls out as a residual balancing item from
20	his financial statement modeling of Hydro's regulated operations where, in the absence
20	of Hydro's five-year financial projections, Dr. Cannon assumed that Hydro's average
22	total net debt would remain at \$1,267 million throughout the 2007-to-2010 period.
23	Now, with the benefit of Hydro's five-year financial projections, Dr. Cannon is
24	forecasting that the balance of promissory notes at the end of 2010 will be \$70.6 million
25	(see revised Schedule 4-A attached to his Response to NLH 22 CA), which does not
26	pose any undue risk to Hydro's regulated earnings.