

Q: (a) Is Dr. Cannon aware that this Board considered the implications of variations in the embedded cost of debt on Newfoundland Power's Automated Adjustment Mechanism during Newfoundland Power's 2003 General Rate Application and subsequently ordered (page 67 of its Order PU 19 (2003)) that "NP will be required to modify the schedule filed as part of its annual return that calculates the embedded cost of debt to identify specifically the causes of variations in the actual embedded cost of debt from the cost forecast for the test year period"?

(b) Is Dr. Cannon aware that Hydro proposed a similar filing requirement as part of its proposed Automatic Adjustment Mechanism (Exhibit MGB-1)?

A: (a) Yes, Dr. Cannon is aware of this and has expressed no objection to it – which is understandable since he is not presently involved in evaluating Newfoundland Power's activities or proposals. As a general rule, the more information the Board has available to it, the better it can perform its duties.

(b) Yes, Dr. Cannon is aware of this and, again, he expressed no objection to it. The referenced filing requirement does not, however, in any way reduce the desirability of his proposal, and will provide the same "comfort" to Hydro, the Board, and to Hydro's customers under Dr. Cannon's proposal as it is intended to provide under the Company's proposal.