Q. With respect to lines 11 to 17 on page 26 of your report, please confirm that there is no impact on revenue requirement as filed as a result of this discrepancy because cost of debt is not impacted nor is total return on rate base.

A. The removal of the interest income that is forecast to be earned on the deposit placed with Hydro Quebec in connection with the Lower Churchill Project would not impact the cost of debt, the total return on rate base and the overall revenue requirement for the 2007 test year as filed by Hydro. The interest expense included in the cost of debt calculation does not include this interest income. As for the revenue requirement, the removal of the interest income of $1.035 million would increase interest expense and decrease regulated earnings by the same amount, leaving the total revenue requirement the same.

However, Hydro's Application includes a request for a return on equity of 5.20%. With this change in interest expense, the forecast 2007 return on equity will decrease to 4.73%. If Hydro still intends to request a return on equity of 5.20% (excluding the equity return on rural rate base), revenue from rates and hence revenue requirement would have to be increased to achieve the 5.20% return on equity based on the current Application that Hydro has filed with the Board.