

1 Q. [Brad Rolph Evidence, page 2]  
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3 Please confirm that Mr. Rolph evaluated the reasonableness of the methods  
4 used by Hydro and its affiliates to determine amounts to be charged, and did  
5 not evaluate the reasonableness of those amounts or whether the inter-affiliate  
6 transactions provide any demonstrable benefit to ratepayers.  
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9 A. I evaluated the reasonableness of the methods used by Hydro and its affiliates to  
10 determine amounts to be charged for services rendered against the arm's length  
11 standard. The arm's length standard requires related parties to deal with each other  
12 as if they were dealing at arm's length. An arm's length party would not pay for a  
13 service unless the service was in some way beneficial to the recipient. With  
14 potentially a few minor exceptions, Hydro and its affiliates would have had to pay  
15 an independent enterprise for the inter-affiliate services they had received or would  
16 have performed the activity on their own behalf in-house. Consequently, by relying  
17 on the arm's length standard, I evaluated whether the inter-affiliate transactions  
18 provided a demonstrable benefit to Hydro and its affiliates and indirectly to  
19 ratepayers. I did not evaluate the effectiveness or efficiency with which Hydro and  
20 it affiliates rendered their services which might influence the quantum of the  
21 amounts charged.