Q. In Order No. P.U. 6 (1991), the Board ordered:

"NP shall put in place a quarterly reporting mechanism whereby NP aggregates all inter-corporate transactions by the accepted code of accounts, segregating purchases of goods and services from sales of goods and services. This report will be submitted to the Board together with any contracts and agreements signed during the quarter with any related parties. Transactions exceeding $50,000 individually or per annum must be reported separately and compared to the cost of the same transaction from an arms-length supplier(s). A description of the nature and the amount of the transaction(s) as well as any amount due to or from the related party must be provided."

Does Mr. Rolph believe it is appropriate that the Board impose similar inter-affiliate transaction reporting requirements on Hydro?

A. As described in the Materiality section of the Expert Report, a $3 million dollar adjustment to the costs recovered or paid by Hydro would be required to change the effective rate by $0.001. Consequently, the potential understatements of amounts charged by Hydro for rendering common services to affiliates would not be material. Accordingly, it would cause additional work if the Board imposed a quarterly reporting requirement and a review of transactions exceeding $50,000; this work might be considered unnecessary given the lack of materiality of the potential understatements. Alternatively, I would recommend an annual review of inter-affiliate transactions that describes all services rendered and costs charged back to and from affiliates, the amounts involved, and the methods used for determining those amounts. Should this recommendation be adopted, there would be no need to specify a dollar threshold for reviewing individual transactions due to materiality considerations.