

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.