| 1 | NP-CA-25 |
|----|-------------------------------------------------------------------------------------------------|
| 2 | 2007 NP General Rate Application |
| 3 | Page 1 of 1 |
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| 8 | Q: Reference: Page 11, Line 19 and Page 48, Lines 30-31 |
| 9 | |
| 10 | "This puts the prospective rate on the riskless long-term asset in the range of 3.85% to |
| 11 | 4.2% for the 2008 test year." |
| 12 | |
| 13 | Please confirm that Dr. Cannon's forecast for the riskless long-term asset is 30-65 basis |
| 14 | points lower than his forecast T-bill yield shown on page 11. |
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| 19 | A. It is confirmed. The T hill wield is a short terms note while the note on "the nicklass land |
| 20 | A: It is confirmed. The T-bill yield is a short-term rate while the rate on "the riskless long- |
| 21 | term asset" is a long-term rate. The comparison here is the same as comparing apples |
| 22 | and oranges or short-term government bond yields with long-term government bond |
| 23 | yields. |
| 24 | |