

1 Q. (p.14, lines 7-22). Reconcile Hydro's target of a 60/40 debt/equity ratio with
2 Ms McShane's recommendation of 70%-75% debt and 30%-25% equity.
3 (See McShane p.21; lines 14-17).

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6 A. Mr. Well's in his evidence states "It is Hydro's view that the normal financial
7 targets for a utility operating as a commercial entity would be, as our financial
8 experts have advised, a debt/equity ratio of 60/40". In making this statement
9 Mr. Well's relies on Ms. McShane's statement on p.19, lines 9-11 "that Hydro
10 would require a 60/40 debt/common equity ratio, as a relatively low risk
11 utility, to achieve a debt rating of BBB on a stand alone basis". The
12 reference to 70%-75% debt and 30%-25% equity is in reference to a medium
13 term Structure with a Government guarantee.