

1 Q. Provide any documentation to support the assertion that the movement
2 toward a debt/equity ratio of 60/40 would result in a change in the
3 requirement for Hydro to pay a debt guarantee fee to the Provincial
4 Government (DGH, page 4, line 27-30).

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6 A. A Provincial guarantee on financings allows the Utility to access funds from
7 the capital markets at attractive rates in virtually all market conditions. Given
8 the Utility's obligation to provide reliable electrical service to its customers,
9 this feature is important. If the regulated utility business had an investment
10 grade rating, the Utility itself could raise funds on attractive terms. In
11 Canada, there are many regulated businesses with an investment grade
12 rating that operate successfully and access capital without government
13 assistance. In this circumstance, the Province and the Utility could consider
14 the removal of the guarantee and related fee, with little or no impact to the
15 consumer.