

Newfoundland & Labrador Hydro (“Hydro”) 2003 General Rate Application

Requests for Information from Hydro To Public Utilities Board

Professor Leonard Waverman

NLH-152 PUB (Re: Page 5, lines 1-3)

Dr. Waverman states: “Hydro is a Crown corporation, and, has no common stock equity, and, as such, need not compensate common stockholders for the risks such common stock shareholders face in providing equity capital to investor-owned utilities”. Are retained earnings generally regarded as a component of shareholder’s equity?

- A. Yes, but as a Crown corporation, Hydro enjoys a lower cost of capital that is consistent with its ability to raise funds under Provincial debt guarantees, and the opportunity cost of capital should reflect that fact.