

NLH-153 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". If some of Hydro's past earnings have been retained and reinvested in the company, then has Hydro's shareholder in fact, equity at risk?

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.