

NLH-155 PUB (Re: Page 5, lines 17-21)

Dr. Waverman states: "Compensating those owners simply means raising through regulated rates funds sufficient to maintain operations and satisfy: (1) the interest obligations on the outstanding guaranteed debt; and (2) the opportunity cost of the Province's citizens (as represented by the marginal cost of Provincial guaranteed debt) for the shareholder's equity portion of the capital structure". Who ranks first in a claim on the net assets of Hydro in the event of serious financial difficulty, Hydro's bondholders or its shareholder?

A. Its bondholders would rank first.