

NLH-156 PUB (Re: Page 8, lines 26-27)

Dr. Waverman states: "...consider allowing an opportunity cost of capital on Hydro's retained earnings that is equal to Hydro's opportunity cost of debt". Please define what you consider to be Hydro's current opportunity cost of debt?

A. I have not quantified Hydro's current opportunity cost of debt. In my testimony dated September 5, 2003 (p. 15) , I stated that:

"I would support an allowed cost that reflects Hydro's opportunity cost of Provincial guaranteed debt, which can be determined by investigating Hydro's cost of new debt. I understand that in Hydro witness Ms. McShane's prepared testimony, she states (p. 21) that the long-term opportunity cost of new debt to Hydro is about 6.75 percent. A review of the yields to maturity of other electric utility Crown corporation debt in Canada, with bond ratings comparable to Hydro, would also be useful."