

NLH-158 PUB (Re: Page 9, lines 28-29)

Dr. Waverman states: “the common stock equity risk premium that is a standard component of the cost of common stock equity for IOUs does not exist for Hydro”. Is an equity holder generally any less concerned about risks to their retained earnings equity versus their common stock equity?

- A. No. An equity holder in a firm, whether investor-owned or a Crown corporation, would be concerned about risks associated with their investment in the firm, whether in the form of common stock equity or retained earnings. The equity holder would expect the firm to seek to maximize its profitability through efficient operational performance. However, I repeat – there is no common stock equity risk for Hydro: it is not an IOU.