

NLH-159 PUB (Re: Page 11, lines 12-14)

Dr. Waverman states: "For companies like Hydro, with only debt capital to raise from the public, the "capital attraction" charges in regulated rates are lower than they are for IOUs who have an extra layer of common stockholders to compensate". Could retained earnings be viewed as a form of equity capital attraction?

- 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. Furthermore, I have been consistent in calling the capital invested in Hydro *shareholder's equity* as opposed to *common stock equity capital*, which is raised by IOU's from private investors in open capital markets.