

NLH-165 PUB (Re: Page 3, Footnote 3)

Dr. Waverman states, "Retained earnings' is generally defined as the portion of net income retained for reinvestment in the company rather than being paid in dividends to common stockholders. For Hydro, the term refers to the excess of net income over what has been used to make payments to the Province." Please explain what distinction, if any, Dr. Waverman is making between the retained earnings of Hydro and those of an investor-owned utility.

- A. I would note that retained earnings will be more important for an IOU's financial integrity. After all, an IOU does not enjoy the backstop of a Provincial debt guarantee.