

NLH-172 PUB (Re: Page 6, Footnote 8)

Dr. Waverman states, "While there is also the one percent charged by the Province for Hydro's use of its credit, I understand that this is recovered as a cost of service, and not as part of the cost of capital". Please explain on what basis Dr. Waverman concludes that the guarantee fee is recovered as a cost of service, not as part of the cost of capital.

- A. Based on additional research, I now conclude that the guarantee fee is included in the embedded cost of debt. For example, see Schedules VII to the testimony of Hydro witness J.C. Roberts in this general rate review.