

NLH-182 PUB (Re: Page 13, lines 12-14)

Dr. Waverman states that he, "would be skeptical of Hydro's ability to support further increases to its ratio of debt to retained earnings, given the already high proportion of debt in its capital structure." Is it, therefore, Dr. Waverman's testimony that a target capital structure of approximately 85% debt is reasonable?

- A. I have used the actual structure rather than some hypothetical or deemed structure because that capital structure is most relevant for determining the opportunity cost of debt.