

NLH-185 PUB (Re: Page 15, line 19)

Dr. Waverman recommends not adding the guarantee fee to the opportunity cost of the shareholder's equity. Please explain in detail why, under Dr. Waverman's theory of the opportunity cost to the shareholder's equity, the debt guarantee fee is not a valid component of the opportunity cost.

- A. The one percent debt guarantee fee is payable on embedded debt. Only when debt is actually issued would the one percent fee be payable. Utility customers should not be expected to pay that one percent fee on debt that has not been issued.