NLH-195 PUB (Re: Page 5, lines 19-20)

Dr. Waverman characterizes the opportunity cost of the Province's citizen's for the equity portion of the capital structure, as being represented by the marginal cost of Provincial guaranteed debt. Implicit in this statement is the assumption that the only alternate use for the funds retained in Hydro is to avoid future provincial borrowings. Does Dr. Waverman agree that these funds could equally be used to reduce future taxation of the Provinces citizens, in which case the applicable 'opportunity cost' could range from the cost of mortgage interest to credit card interest rates or the return that could be achieved by those citizens on similar risk investments?

A. No. This would take the opportunity cost concept outside the realm of feasibility.