

NLH-198 PUB (Re: Page 13, lines 8-21)

Dr. Waverman recommends that the Board use Hydro's actual capital structure. In Hydro's last decision, the Board deemed a capital structure for Hydro, which reflected the disallowance of dividend payments to the Province. Please provide Dr. Waverman's explanation for his recommendation of the actual capital structure of Hydro rather than a hypothetical capital structure as derived by the Board.

- A. I used the actual capital structure as it is more consistent with determining the opportunity cost of Hydro's debt.