

Q. NLH-84 CA (Re: Page 13, lines 11-13)

Dr. Kalymon states: “Under such an assumption, the overall risk of Hydro would be comparable to that of the average utility and somewhat below that of Newfoundland Power in particular”. How was it concluded that at 60% debt, Hydro’s overall risk would be somewhat below that of Newfoundland Power, particularly in view of comments made on page 10, lines 21-23 respecting similar business risk of the two utilities?

A. Given that there exists an explicit guarantee from the Province on all of Hydro debt, the market may treat Hydro as having full recourse to the Province and deem Hydro to be of lower investment risk than a privately owned utility. However, the differential in risk with Newfoundland Power would not be material and the investment risk is still comparable.