

Q. NLH-93 CA (Re: Page 14, lines 1-4)

Dr. Kalymon states, “assuming a deemed capital structure of 60% Debt and 40% Equity, Hydro would be able to achieve an investment grade for its bond without the Provincial guarantee. Thus, for this 60% of the rate base, the Provincial guarantee can be seen simply as enhancing the credit from a corporate BBB rating to a provincial BBB rating.” Please confirm that the referenced passage concludes that with a 60/40 debt/equity capital structure, the regulated operations of Hydro would be able to achieve a debt rating of BBB on a stand-alone basis. If Dr. Kalymon cannot so confirm, please explain why.

A. **Dr. Kalymon believes that with a limit of 60% debt in its capital structure and assuming that other coverage parameters are met, that Hydro would be able to achieve a debt rating of BBB in its debt rating.**