

1 Q. Referring to footnote 5, page 12: Please provide a complete explanation of
2 the extent to which the Province, as NLH's equity owner, should receive rate
3 of return compensation for risks that Provincial policy imposes on NLH.

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6 A. The extent to which the Province as shareholder should be compensated for
7 risks associated with social policy depends on the specifics of the policy,
8 including whether it is applicable to the electric utility industry generally or
9 Hydro specifically. Generally, however, it is Ms. McShane's view that the
10 Province as shareholder cannot reasonably expect to be compensated in the
11 equity return for risks that are self-imposed by the Province as Government,
12 of which the footnote 5 referenced in the RFI is an illustration. The
13 assessment of the risks of Hydro has been undertaken on the basis of its
14 inherent business risks and the assumption of a reasonable regulatory
15 environment.