Q. Referring to page 24, lines 10-14: Assuming that the unconditional debt guarantee were eliminated, would any of these standards take on greater importance in making a rate of return determination, or are they equally important both with and without the guarantee. Please explain.

A. In the absence of the debt guarantee, and assuming no change in the capital structure, the ability to attract capital, specifically debt capital, on reasonable terms would take precedence. Without the ability to attract debt capital, Hydro would be unable to fulfill its obligation to serve. Given the very thin equity component, a higher return on equity would be required to provide Hydro sufficient interest coverage to access the debt markets.