

1     Q.     If we assume that all new debt issues (short-term or long-term) that NLH  
2           projects to make to support its regulated Hydro operations over the 2006  
3           through 2010 period are completed at an interest rate of 5.00%, then what  
4           would be the Company's estimate of the average overall embedded debt  
5           cost (in percentage terms) during each of the years 2006 through 2010?  
6           Please provide the required schedules to explain/support the estimated cost  
7           rate calculation for each year.

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10    A.     Please refer to NP 27 NLH for a summary of Hydro's forecast debt costs for  
11           the 2006 forecast and 2007 budget years. Hydro has not budgeted specific  
12           debt requirements beyond the 2007 year. A general indication of funding  
13           requirements beyond that timeframe is obtained from Hydro's five-year  
14           financial projection, which is currently being updated. Hydro's next major  
15           refinancing is due to occur in 2008 with the maturity of the Series AA  
16           debenture having a face value of \$200 million. Following that, there are no  
17           other major refinancings forecast until 2014. Given that the Series AA carries  
18           a coupon rate of 5.5% and all other things being equal, a refinancing of this  
19           debenture at 5% would not alter Hydro's overall cost of debt to a significant  
20           degree.