Q. Further to PUB-Nalcor-255, please explain if any of the alternative capital structures and return on equity levels shown violate any Newfoundland Hydro debt or line of credit covenants, Newfoundland legislative requirements, Lower Churchill Project Power Purchase Agreement, and/or any of the Muskrat Falls Project financing agreements.

A. Under Hydro's Committed Credit Facility Agreement with The Bank of Nova Scotia, Hydro is required to ensure that the Debt to Capitalization Ratio is at all times less than 0.85:1, calculated on a consolidated basis. Based on the analysis of the alternate capital structures and return on equity levels for Regulated Hydro, as outlined in Nalcor's response to PUB-Nalcor-255, none of the scenarios are projecting to violate this financial covenant.

According to the *Hydro Corporation Act, 2007*, Section 30, the total amount of the Corporation's outstanding debt at any time shall not exceed $2,100,000,000 in Canadian Currency or its equivalent in the currency of another country. Hydro is expecting to require an increase in this debt limit in the future. Some of the scenarios will require an increased debt limit and/or the increase in the debt limit to be completed at an earlier date based upon the capital structures alternatives outlined in Nalcor's response to PUB-Nalcor-255.

A change to Hydro's capital structure and/or return on equity levels would not result in a default of Lower Churchill Project Power Purchase Agreement, and/or any of the Muskrat Falls Project financing agreements. However, Hydro would default in the event it was unable to make the payments defined in the Lower Churchill Project agreements.