

1     Q.     Per IC-NLH-054. Please confirm that with a material reduction (>\$150M) in the  
2           regulatory liability component of Hydro's balance sheet, and replacement of this  
3           amount with new long-term debt at current market rates, Hydro's debt equity ratio  
4           and average cost of debt would be materially affected.

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7     A.     Hydro's debt to equity ratio will not be materially affected as a result of the  
8           reduction in the regulatory liability component of Hydro's balance sheet. Average  
9           debt for 2014 is forecasted at 70.8% of the total capital structure (See NLH-NP-020  
10          Attachment 1, Page 3 of 6, Lines 27 and 30), which represents an increase of 0.7%  
11          versus the 70.1% proposed for the test year. Hydro's forecast embedded cost of  
12          debt for 2014 is 7.50%, which represents an anticipated decrease of 0.51% versus  
13          the 8.01% proposed for the test year.