

1 Q. Provide evidence that a 1% level of debt guarantee fee is appropriate.
2 Provide any studies undertaken in the determination of the level of the debt
3 guarantee fee.

4

5 A. We are not aware of any studies undertaken in the determination of the level
6 of the debt guarantee fee.

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8 In her evidence K. McShane states: "The test for whether the guarantee fee
9 is a legitimate component of the cost of debt is whether the cost inclusive of
10 the guarantee fee is less than or equal to the cost at which the utility could
11 raise debt on the strength of its own financial parameters. At the forecast
12 utility capital structure, the cost of debt to Hydro, absent the Provincial
13 guarantee, would be more than 100 basis points higher than the debt cost
14 calculated with the guarantee fee." This statement in effect supports the
15 appropriateness of the level of the debt guarantee fee. Please refer to the
16 answer for NP-172 for additional support for this statement.