

Q. NLH-109 CA (Re: Page 15, line 9 (Table))

Dr. Kalymon shows a fee of 1.71%. Please explain how this figure is to be interpreted relative to the 1% guarantee fee paid by Hydro, that is, are the two values comparable and, if so, how?

A. **The 1% charged by the Province to Hydro was not set by any arms length negotiations nor is it based on a market rate. The 1.71% shown on page 9 represents the spread which the market would require for that portion of debt which exceeds 60% and is allocated to deemed equity. Similarly, the 0.5% shown on page 15 represents the market based value of the guarantee fee for debt below 60%.**