Q. **On Page 19, Lines 13 – 15, in reference to the average difference between long-term yields on bonds issued by the Province and the bonds issued by the sample of Canadian utilities, Grant Thornton concludes:**

> ***"By comparison, the average difference on long-term debt yields ranged from 35.6 bps to 47.8 bps, already below the 50 bps paid by Hydro. Apportioning the benefits of the guarantee would lower these ranges further, which may bring into question the 50 bps guarantee fee paid by Hydro on long-term debt"***

**Did Grant Thornton consider the average difference on long-term debt yields as of June 2015? If the average difference on long-term debt yields had increased above 50 bps, would Grant Thornton still question the reasonability of the 50 bps guarantee paid by Hydro?**

A. No additional evidence was filed by Hydro in the Amended GRA related to the Guarantee Fee Analysis. As such we do not have the evidence on which to consider long-term yields that were determined on a comparable basis to the October 2013 analysis provided by Scotiabank.

If the average difference on long-term debt yields had increased above 50 bps, Grant Thornton still questions the reasonability of the 50 bps guarantee fee.

As indicated in our Amended GRA Financial Consultants Report, June 12, 2015, pages 19 and 20, the Scotiabank analysis documented in response to PUB-NLH-061 from the 2013 GRA fails to consider the creditworthiness of Hydro and the Canadian utilities, the impact of implicit support on Hydro's creditworthiness, the effects on yields from differences in the term to maturity, optionality, and market-of-issuance, and the apportionment of the benefit of the cost savings between the recipient and guarantor.

For the same reasons, Grant Thornton also still questions the reasonability of the 25 bps guarantee fee on short-term debt. Further examination is required to determine the reasonability of the guarantee fees.