

**Q. Pg. 4 - Please describe the changes in capital markets since your previous expert report on Newfoundland Power dated May, 2012 which supported no change in capital structure.**

**A.** Capital market parameters are essentially the same, since it is external factors that are driving the long Canada bond yield. As the Governor of the Bank of Canada remarked in August 2012 the Canadian financial system is firing on all cylinders. It is events in Europe and the US that are the serious concerns. Here what is important is that even in Europe and the US the markets are slowly healing. Page 26 of Dr. Booth's testimony updates the deficit problems around the world and reproduces that data below, but the important feature is the harsh medicine has been taken and what we are seeing is the reaction to the medicine but it is working. Also please see Dr. Booth's answer to NP-CA-4.

**Government Deficits as a % of GDP**

	2007	2008	2009	2010	2011	2012	2013
Japan	2.4	4.1	10.4	9.4	9.8	10	9.1
US	2.7	6.7	13.3	11.2	10.1	8.7	7.3
Italy	1.5	2.7	5.4	4.5	3.8	2.7	1.8
Ireland	-0.1	7.3	13.9	30.9	12.8	8.3	7.5
Greece	3.7	9.9	15.6	10.5	9.1	7.5	4.7
France	2.7	3.3	7.6	7.1	5.2	4.7	3.5
Portugal	2.7	3.7	10.2	9.8	4.2	5	4.5
Germany	-0.2	0.1	3.2	4.1	0.8	0.4	0.4
Spain	-1.9	4.2	11.2	9.4	8.9	7	5.7
UK	2.7	5.1	10.4	9.9	8.5	8.2	7.3
Canada	-1.6	0.4	4.9	5.6	4.4	3.8	3
Advanced	1.3	4.3	9.6	10.2	7.1	6.0	5.0

Source IMF Fiscal Monitor October 2012