

1 **Volume 1, Section 3 – Finance**

2
3 **Q. (page 50)**

4
5 **a. What evidence or information did the Company rely on to set the forecasted cost**
6 **rate assumption for its short-term borrowings during 2007 and 2008?**

7
8 **b. Does the Company expect that it will have to revise its short-term borrowing**
9 **cost rate assumptions for 2007 and 2008 on account of the post-mid-May run up**
10 **in short-term interest rates? Please explain.**

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12 A. (a) The Company relies on forecast 3-month Government of Canada Treasury Bill rates
13 as provided by 5 major Canadian chartered banks, and the pricing grid under its
14 Committed Credit Facility, to forecast its short-term borrowing rates for 2007 and
15 2008. Attachment A provides the calculated forecast of the short-term borrowing
16 rates assumed in the Company's prefiled evidence.

17
18 (b) The Company will update its short-term borrowing rate assumptions when it files
19 revised evidence. Any revised short-term borrowing rate assumptions would then be
20 re-based on the most current forecast of 3-month Treasury Bill rates available from
21 the same 5 major Canadian chartered banks.

**Forecast Short Term Interest Rates
2007-2008**

Forecast 3 Month T-Bill Rates

	RBC¹	BMO²	Scotia³	CIBC⁴	TD⁵	Average	Spread and/or Fees	All-in Interest Rate
Q1 2007 F	4.17%	4.17%	4.15%	4.18%	4.20%	4.17%	0.85%	5.02%
Q2 2007 F	4.15%	4.17%	4.20%	3.95%	4.20%	4.13%	0.85%	4.98%
Q3 2007 F	4.20%	4.17%	3.90%	3.50%	4.25%	4.00%	0.85%	4.85%
Q4 2007 F	4.25%	4.17%	3.65%	3.35%	4.25%	3.93%	0.85%	4.78%
							Avg.	4.91%

Forecast 3 Month T-Bill Rates

	RBC¹	BMO²	Scotia³	CIBC⁴	TD⁵	Average	Spread and/or Fees	All-in Interest Rate
Q1 2008 F	4.35%	4.25%	3.70%	3.35%	4.35%	4.00%	0.85%	4.85%
Q2 2008 F	4.40%	4.44%	3.70%	3.35%	4.55%	4.09%	0.85%	4.94%
Q3 2008 F	4.55%	4.47%	3.75%	3.70%	4.50%	4.19%	0.85%	5.04%
Q4 2008 F	4.95%	4.50%		3.70%	4.50%	4.41%	0.85%	5.26%
							Avg.	5.02%⁶

¹ Based on April, 2007 report.

² Based on April, 2007 report.

³ Based on March, 2007 report.

⁴ Based on March, 2007 report.

⁵ Based on March 2007 report.

⁶ Rounded to 5.00%.