

- 1 **Q. Further to the responses to NLH-NP-004 and CA-NP-010:**
- 2 **a) The short-term borrowing rate forecast was prepared in September, 2023. Please**
- 3 **update this forecast to reflect the most recent available information (i.e., from**
- 4 **the same financial sources used to develop the forecast short-term borrowing rate**
- 5 **used in the application). In the response state the change in the forecast rate from**
- 6 **the application to the updated forecast.**
- 7 **b) Please provide a comparison of short-term borrowing costs in the original**
- 8 **calculation in the application to the short-term borrowing costs if calculated**
- 9 **based on the updated information provided in this response. In this response,**
- 10 **please include the details of the calculations.**
- 11 **c) What is the forecast 2024 interest expense impact of a reduction of 1% in short-**
- 12 **term borrowing rates?**
- 13
- 14 **A. a) Newfoundland Power's short-term borrowing rates are calculated based on the five**
- 15 **main Chartered Canadian Banks most recent forecast of three-month treasury bill**
- 16 **rates and an observed forecast spread.¹**
- 17
- 18 The average forecast short-term borrowing rate based on the most recent available
- 19 bank forecasts is 5.55%, which is slightly higher than the 5.54% rate used in the
- 20 Application.
- 21
- 22 **b) Table 1 provides a comparison of the revised interest rate forecast based on the most**
- 23 **recent economic and interest rate forecasts as published by the five main Chartered**
- 24 **Canadian Banks and the rates as filed in the Application.**

Table 1:
2024 Short-Term Borrowing Forecast
(%)

	RBC²	BMO³	Scotia⁴	CIBC⁵	TD⁶	Average	Forecast Spread¹	Forecast Rate⁷
Revised Rates ⁸	4.50	4.70	4.30	4.23	4.00	4.35	1.20	5.55
Prior Rates ⁹	4.49	4.74	4.31	4.14	4.00	4.34	1.20	5.54

¹ The forecast spread is based on actual observed spreads, over a six-month period, of actual borrowing rates versus posted three-month treasury bill rates in 2023 and was calculated as 1.20%.

² RBC Capital Markets, Financial Market Forecasts, December 2023.

³ BMO Capital Markets Economic Research, Canadian Economic Outlook, January 2024.

⁴ Scotiabank Global Economics, Forecast Tables, December 2023.

⁵ CIBC Capital Markets, Economics and FICC Strategy, Forecast Update, January 2024.

⁶ TD Economics, Latest Forecast Tables, January 2024.

⁷ Forecast rate is calculated as the average three-month treasury bill rate plus the forecast spread.

⁸ Revised short-term borrowing rates for 2024 based on the most recent economic and interest rate forecasts as published by the five major Canadian Chartered Banks.

⁹ Forecast short-term borrowing rates for 2024 as filed in the Application.

- 1 c) The estimated 2024 interest expense impact of a 1% percent reduction in short-term
2 borrowing rates is a reduction in short-term interest of approximately \$644,000.¹⁰

¹⁰ Calculated as 2024 forecast average borrowings of \$64,444,000 * 0.01 = \$644,440.